CIS Model Law “On Joint-Stock Companies”

CHAPTER I. GENERAL

Article 1. Scope

1. The present Law regulates the terms and conditions as well as the procedure for the formation, activities, reorganization and liquidation of a joint-stock company; determines the legal status of a joint-stock company and groups of joint-stock companies, the management bodies of a joint-stock company, the competence thereof, the authority and liability of corporate officers, and the rights and duties of shareholders, as well as measures to protect the rights and interests of shareholders.

2. The present Law applies to all joint-stock companies that have been or are being formed on the territory of the present state unless otherwise established by the present Law or by other legislative acts.

3. Particularities of the formation, activities, reorganization and liquidation of banks, insurance and investment companies that have the legal form of a joint-stock company may be established by separate laws.

4. Particularities of the formation of joint-stock companies through the privatization of state-owned and municipal enterprises are governed by normative legal acts dealing with privatization.

5. Until a separate law is promulgated, the creation and activities of public-interest joint-stock companies (i.e., in the capital of which the state is a participant) also are governed by the present Law.

6. All the property relations, to which a joint-stock company is a party, in connection with its property and the securities [offerings] which it issues, not regulated by the present Law, are governed by the Civil Code.

Article 2. Key Terms Used in the Present Law*

The following terms are used in the present Law:

1) “shareholder” is a person who is the owner of a share;

* Translated by Ivan Doeski and William B. Simons.

Translator’s note: These terms are in alphabetical order in the Russian-language original; that order has been retained here to as to maintain the consistency of cross-references in the text of the Model Law. However, this means that the order in the English translation is no longer an alphabetical one.
2) “share” means a security issued by a joint-stock company and certifying the shareholder’s rights which are based on an interest in the capital of said joint-stock company, including the right to participate in the management of the joint-stock company, to receive dividends as well as an appropriate portion of the company’s property if it is liquidated, and other rights provided by the present Law and by other legislative acts;

3) “affiliates” means persons that control, or are controlled by, a joint-stock company; legal persons under common control of a joint-stock company with a third-party, or related organizations of the joint-stock company;

4) “close relatives” means parents, children, full and half-blood brothers and sisters, adoptive parents and adopted children, legal guardians and persons under their care, as well as the spouse of a natural person;

5) “interdependent organizations” means legal persons that act as both controlling and controlled legal persons in relation to one another;

6) “voting shares” means outstanding common shares of stock and preferred shares of stock that provide a voting right in the cases established by the present Law;

7) “dividend” means a shareholder’s income paid out by a joint-stock company under the shares of that company belonging to the shareholder;

8) “executive” means a member of the supervisory board, member of the management committee of a joint-stock company, member of the board of directors of a joint-stock company, member of its executive body, or a person who acts as the sole executive body of a joint-stock company;

9) “qualified majority” means a majority of not less than 75% of the total number of a joint-stock company’s voting shares of stock;

10) “corporate governance code” means the internal [regulatory] document of a joint-stock company that governs the management relations of the joint-stock company, including relations between the shareholders’ and the bodies of the joint-stock company, as well as between the joint-stock company and third [interested] parties;

11) “convertible security” means a security of a certain type issued by a joint-stock company which is exchangeable for a security of another type issued by that joint-stock company under the terms and conditions and subject to the procedure established by a resolution to issue securities or by a prospectus;

12) “controlling person” means a natural or a legal person who directly, and/or indirectly, independently or jointly with its affiliates, can determine [opredeliat’] the resolutions (legal actions) of a controlled person, including

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Translator’s note: These square brackets appear in the original Russian-language version of the Model Law.
the issuance of binding instructions to the controlled person pursuant to an agreement or on the basis of the articles of association, or on another lawful basis. Unless otherwise proven, a shareholder of a joint-stock company is deemed to be a controlling person, where such shareholder:

a) holds more than 50% of voting shares in the joint-stock charter capital of the company; and/or

b) has the right to nominate (including, to elect or to appoint) a majority of the members of the board of directors; and/or

c) by virtue of a shareholders’ agreement has the right to cast the majority of votes for the shares of the joint-stock company which have been issued;

13) “major shareholder” means a shareholder holding ten or more percent of the voting shares of a joint-stock company, or several shareholders’ acting on the basis of an agreement between them, or otherwise lawfully able to coordinate their actions at a shareholders’ meeting (resolutions on items on the agenda of the general shareholders’ meeting), whose cumulative interest represents ten or more percent of the voting shares of a joint-stock company;

14) “cumulative voting” means a method of voting at a general shareholders’ meeting whereby each share represented at the meeting has the same number of votes as that of the members of a joint-stock company’s body being elected;

15) “independent director” means a member of the board of directors of a joint-stock company, who has (has had) no contractual or other legal relations with the company, a major shareholder or executive, including close relatives of the major shareholder or an executive of the joint-stock company, as of the date of his/her election as an independent director, and for five years prior to such election;

16) “outstanding shares” means the shares of a joint-stock company that have been paid-up in full by the founders or by the founders and investors;

17) “state register” means a unified state register of legal persons containing information on the state registration, re-registration, changes and amendments and/or additions to the articles of association of legal persons and data on forthcoming or completed instances of the reorganization or liquidation of legal persons and other legally important facts relating to the legal capacity of legal persons;

18) “registration authority” means the competent governmental authority that maintains the unified state register of legal persons;

19) “public company” means a joint-stock company, where:

a) the shares of which have been accepted for trading on securities markets and/or are quoted on a stock exchange; and
Domestic legislation may provide for an additional qualification requirement, such as:

b) the amount of its own capital is not less than...\(^3\)

c) number of shareholders’ is not less than _______ over the period of six consecutive months;

20) “corporate registrar” means an organization that is a professional participant of securities markets and that carries on the business of keeping a system of registers of holders of joint-stock company’s securities and that is not an affiliate of the joint-stock company;

21) “related persons” \([sviazannye litsa]\) means persons who are directly connected with the joint-stock company, including its major shareholders and corporate officers or their close relatives;

22) “competent authority” means a governmental authority that regulates and supervises securities markets and the activities of professional participants of securities markets;

23) “joint-stock company in the public interest” \([aktionernoe obschestvo s publicnym interesom]\) means a joint-stock company the major shareholder of which, directly or indirectly, is the state which, in its turn, is represented by central or local governmental authorities or municipal authorities;

24) “controlled legal person” means a legal person the actions or resolutions of the bodies of which are determined by a controlling person who can legally issue binding instructions to the controlled person;

25) “persons under common control” means two or more legal persons who are controlled legal persons in relation to the same natural or legal person;

26) “corporate secretary” means an employee of a joint-stock company who is not a member of its supervisory board, management committee, or of the board of directors or executive body (a person who solely performs the functions of an executive body), and who does not perform the functions of a member of its supervisory board, management committee, board of directors or executive body, whose authority and legal status (including rights, duties and liability) are established in the articles of association of the company of that joint-stock company [and who meets the following requirements:\(^3\)]

a) has the qualification (diploma) of an accountant or a lawyer;

b) has more than five years of experience in the field(s) related to its professional qualification;

c) is a member of an appropriate self-regulating organization; and

\(^2\) Translator’s note: These square brackets appear in the original Russian-language version of the Model Law as does the blank space in the next line.

\(^3\) Translator’s note: These square brackets appear in the original Russian-language version of the Model Law.
d) for ten years, prior to the election (appointment) as corporate secretary, has not been convicted of a crime involving property or of official malfeasance;

27) “merger” [sliianie] means a form of reorganization whereby a newly created organization assumes all the rights and obligations of the several predecessor companies that are being liquidated;

28) “acquisition” [prisoedinenie] means a form of reorganization whereby an existing organization assumes all the rights and liability of one or more predecessor companies that are being liquidated;

29) “split-up” [razdelenie] means a form of reorganization whereby all the rights and obligations of a predecessor organization pass to two or more newly created organizations, while the predecessor organization is liquidated;

thirty) “spin-off” [vydelenie] means a form of reorganization whereby a part of the rights and obligations of the predecessor organization specified in the transfer act [peredatochnyi akt] passes to one or more newly created organizations, and the predecessor organization is not liquidated;

31) “split-up accompanied by a merger (acquisition)” [razdelenie, osushchestvlennoe odnovremenno so slianiem (prisoedineniem)] means a form of reorganization representing a combination of the forms of reorganization, described in subparagraphs 27, 28 and 29 of the present Article 2, whereby all the rights and obligations of a predecessor organization pass to several newly created and/or existing organizations, while the predecessor organization is liquidated;

32) “spin-off accompanied by a merger (acquisition)” [vydelenie, osushchestvlennoe odnovremenno so slianiem (prisoedineniem)] means a form of reorganization representing a combination of the forms of reorganization, described in subparagraphs 27 and thirty of the present Article 2, whereby a part of the rights and obligations of a predecessor organization specified in the transfer act passes to one or more newly created and/or existing organizations, while the predecessor organization is not liquidated;

33) “transformation” [preobrazovanie] means a form of reorganization whereby all the rights and obligations of a legal person of one legal form pass to a newly created legal person of another organizational-legal form;

34) “compensation” (during the reorganization of legal persons) means payouts made in the instances provided for by legislation to shareholders under the shares they hold that are redeemed by the company, or to members of partnerships [khoziaistvenye tovarischestva] (companies),
when the shares they hold in the capital of a partnership (company) pass
to the partnership (company); and

35) “corporate website” means an electronic Internet website (an In-
ternet page) of a joint-stock company which complies with requirements
established by legislation.

Article 3. A Joint-Stock Company

1. A joint-stock company (hereinafter “company”) is a commercial
organization, the charter capital [уставный капитал] of which is divided into
a specific number of shares certifying the shareholders’ rights under the
law of obligations [обязательственное право] with respect to the company’s
property and their powers to participate in the company management.

Shareholders are not liable for a company’s obligations and bear the
risk of losses in relation to its business up to the value of shares held by them
unless otherwise established by the present Law [or: by legislation].

Shareholders are entitled to alienate the shares they hold without
the consent of other shareholders’ or of the company unless otherwise
established by the present Law or by the articles of association of the
company.

2. A company is a legal person. A company enjoys civil-law legal capacity
and is entitled to engage in any business that is not prohibited by a law.

3. A company may engage in specific activities, a list of which is
established by domestic legislation, only on the basis of a special permit
(license).

4. A company is created for unlimited period unless otherwise estab-
lished by its articles of association of the company.

Article 4. Corporate Liability

1. A company is liable under its obligations with all its property.

2. A company is not liable for the obligations of its shareholders.

Article 5. A Single Shareholder Company

1. A company may be established by a single person, and all the
company’s shares may be acquired by a single person. In this case, the
company’s sole shareholder exercises the powers of the shareholders’
meeting as established by the present Law.

2. Any agreements between a company and its sole shareholder are
made in writing.
Article 6. Corporate Name

1. A company must have a full business name in the [.........] language.
2. A company’s full business name in the [.........] language must contain the company’s full name, which includes the words “joint-stock company”.
3. A Company also is entitled to have a short business name, which includes the abbreviation “AO” [Joint Stock Company, JSC].

Article 7. Corporate Seat

1. A company’s seat is deemed to be the seat of its executive body at the address specified in the corporate articles of association of the company.
2. A company must have an address. A company’s address is specified in the articles of association of the company and recorded in the corporate register and in the state register during the process of obtaining state registration. Should a company’s registered address change, the record in the state register must also be changed. A company’s seat and any changes therein also must be recorded in the system of registers of the holders of securities (hereinafter “corporate register”). Notification of such change of a company’s seat must be transmitted by the company’s management committee/executive body to the corporate registrar immediately after such change.
3. Where it is impossible to serve documents upon a company at the address recorded in its articles of association of the company, in the corporate register, and in the state registrar, and where the actual seat of the company is unknown, public service [publichnaia dostavka] is utilized. In this event, a document is deemed to have been duly served upon the company if, on the basis of a duly submitted statement of the sender attesting to the fact that the document has to be delivered to the company, a court issues a ruling [postanovlenie] which is subject to publication certifying the intent of the sender to duly serve the document upon the addressee. Should the addressee fail to appear within a period of two months as of the date of such publication, the document is deemed to have been duly served.
4. A company is required to have an Internet page (corporate website).

Translator’s note: These square brackets, and those in the next line, appear in the original Russian-language version of the Model Law.

Translator’s note: These square brackets compare the Russian-language abbreviation to that which is often used in English.
Article 8. Information in Letters

1. All letters, forms and other correspondence of the company issued by the company in writing or in electronic form and addressed to third parties or specific persons must contain the following information:  
   1) the company’s business name;  
   2) the name of the state registration authority that registered the company (registration authority) and the registration number;  
   3) the company’s address;  
   4) the charter (declared) capital;  
   5) the names of the members of the company’s supervisory board and management committee, board of directors and executive body (the individual who solely performs the functions of an executive body); and  
   6) information on whether the company is subject to liquidation proceedings.

2. The management committee (board of directors) is liable for providing accurate and complete information which is subject to display in letters, forms and other documents that were or are being issued by the company pursuant to clause 1 of the present Article.

Article 9. Corporate Branches and Representative Offices

1. Unless otherwise established by the articles of association of the company, a company’s management committee (board of directors) is entitled to establish branches and representative offices pursuant to the present Law and to other legislative acts.

2. The head of a branch or representative office acts under a regulation [polozhenie] on the branch or representative office approved by the company and, also, under a power of attorney [doverennost'] issued by the company.

3. Branches and representative offices are subject to state registration pursuant to a law [on the state registration of legal persons, their branches and representative offices]. The management committee (board of directors) immediately notifies the corporate registrar of such registration of branches and representative offices.

Translator’s note: These square brackets, and those in the next line, appear in the original Russian-language version of the Model Law.
CHAPTER II. FORMATION OF A COMPANY

Article 10. Formation of a Company

1. A company may be established by way of forming it or by way of reorganizing an existing legal person (merger, split-up, spin-off, transformation).

2. A company is deemed to have been created as a legal person as of the date of state registration pursuant to the procedure established by a law.

3. Persons forming a company may conclude a memorandum of association [uchreditel’nyi dogovor]. Such memorandum of association creates rights and duties there under only as amongst the parties thereto.

Article 11. Corporate Founders

1. The founders of a company are natural and/or legal persons who have signed the articles of association [ustav] of the company.

2. The state and governmental authorities are entitled to establish a joint-stock company only in the instances established by a law.

3. A company may be formed by a single person.

Article 12. The Articles of Association of a Company

1. The articles of association of a company are a document establishing that the company has the status of a legal person and constitutes the company’s sole constituent document.

2. Provisions of the articles of association of the company are binding upon all the company’s organs and its shareholders.

3. The articles of association of the company must contain the following information:8

8 Pursuant to the Second Council Directive 77/91/EEC of 13 December 1976, a joint-shares of stock company’s Articles of Association must contain the following information:

(Article 2)
The statutes or the instrument of incorporation of the company shall always give at least the following information:
(a) the type and name of the company;
(b) the objects of the company;
(c) when the company has no authorized capital, the amount of the subscribed capital,
(d) when the company has an authorized capital, the amount thereof and also the amount of the capital subscribed at the time the company is incorporated or is authorized to commence business, and at the time of any change in the authorized capital, without prejudice to Article 2 (c) (d) of Directive 68/151/EEC;
(e) in so far as they are not legally determined, the rules governing the number of and the procedure for appointing members of the bodies responsible for representing the company with regard to third parties, administration, management, supervision or control of the company and the allocation of powers among those bodies;
(f) the duration of the company, except where this is indefinite.
1) the company's full and short business names;
2) the company's address;
3) the rights of shareholders-holders of the shares of each category (type);
4) the company's authorized (the amount of the initial) capital;
5) the method of paying for shares;
6) the types of entrepreneurial activity in which the company is engaging;
7) the terms and conditions and procedure for distributing the company's revenues;
8) the terms and conditions and procedure for creating the company's reserve fund;
9) the number of, and the procedure for appointment (election) of, the company's corporate officers unless rules different from the non-mandatory ones, provided for by the present Law, are established by the articles of association of the company;
10) procedure for convening the general shareholders' meeting and for adopting resolutions at such meeting which differs from the non-mandatory provisions of the present Law;

(Article 3)
The following information at least must appear in either the statutes or the instrument of incorporation or a separate document published in accordance with the procedure laid down in the laws of each Member State in accordance with Article 3 of Directive 68/151/EEC:
(a) the registered office;
(b) the nominal value of the shares subscribed and, at least once a year, the number thereof;
(c) the number of shares subscribed without stating the nominal value, where such shares may be issued under national law;
(d) the special conditions if any limiting the transfer of shares;
(e) where there are several classes of shares, the information under (b), (c) and (d) for each class and the rights attaching to the shares of each class;
(f) whether the shares are registered or bearer, where national law provides for both types, and any provisions relating to the conversion of such shares unless the procedure is laid down by law;
(g) the amount of the subscribed capital paid up at the time the company is incorporated or is authorized to commence business;
(h) the nominal value of the shares or, where there is not nominal value, the number of shares issued for a consideration other than in cash, together with the nature of the consideration and the name of the person providing this consideration;
(i) the identity of the natural or legal persons or companies or firms by whom or in whose name the statutes or the instrument of incorporation, or where the company was not formed at the same time, the drafts of these documents, have been signed;
(j) the total amount, or at least an estimate, of all the costs payable by the company or chargeable to it by reason of its formation and, where appropriate, before the company is authorized to commence business;
(k) any special advantage granted, at the time the company is formed or up to the time it receives authorization to commence business, to anyone who has taken part in the formation of the company or in transactions leading to the grant of such authorization.

[Translator's note: This asterisked footnote appears in the original Russian-language version of the Model Law]
11) the amount of penalties for delay in paying for a company’s shares of stock acquired from the company;
12) all special instances in which the transfer of the company’s shares of stock is limited or prohibited; and
13) other provisions of the present Law or of other national laws of the state.

4. In addition to the information provided for in the present Article, a company’s shareholders (founders) may, pursuant to the procedure established by the present Law, include other terms and conditions into the articles of association of the company provided they are pursuant to the present Law and with other laws.

5. In the articles of association of a company, shareholders may provide that disputes between the company and the shareholders must be resolved by a commercial arbitration court [тretaeskii sud] or by an arbitration court [arbitrazbnyi sud].

6. The articles of association of a company must be signed either by the founders (a sole founder) or by their representatives (representative), except for a new version of the articles of association of the company (changes and amendments therein) of an existing joint-stock company, which is signed by a person duly authorized to make such a signing by the general shareholders’ meeting. The articles of association of the company and all changes and amendments thereto are subject to notarial authentication.

Article 13. Setting up the Bodies of a Company

1. When forming a company, its founders set up the bodies of the company and appoint its auditors. In this case, the resolution for forming the company must contain the results of the voting by the founders and the resolution on the number of, and on the individuals appointed to, the bodies of the company and approval of the corporate accountant.

2. In order to set up the bodies of the company and approve the corporate accountant, the founders elect the corporate officers and vote on approval of the corporate accountant by a 75% majority of the total number of votes of the company’s shares of stock subject to placement amongst the founders.

Article 14. Investments

1. Forms of investments are established by the present Law, by the articles of association of the company, the memorandum of association or by a resolution on additional share issue.

2. Investments may be represented by the following:
1) money;
2) securities paid up in full; and
3) other property, including property rights, which includes claims of creditors against the company that can be valued in monetary terms.

3. Changing the balance-sheet value of a company's property pursuant to legislation, including investments made to the charter capital, is not grounds to change the charter capital or equity stakes [dolja] of the shareholders therein unless otherwise established by legislation, the articles of association of the company or by a resolution of the general shareholders’ meeting. The structure and/or charter capital of joint-stock companies that are being reorganized is changed pursuant to a reorganization plan of the company.

4. Investments may not be:
   1) a monetary valuation of the founders’ efforts in creating the company or of the labour of shareholders working in the company;
   2) obligations (debts) of the company’s founders, shareholders or other persons;
   3) unregistered moveable or immovable property, including intellectual property, which is subject to registration pursuant to legislation;
   4) property under economic ownership [khoziaistvennoe vedenie] or operative management [operativnoe upravlenie];
   5) property, the economic circulation of which is limited or prohibited by legislative acts.

Article 15. The Founders’ Report

1. Prior to registering a company, the founders must compile a written report on the formation of the company.

2. The report on the formation of the company must contain the primary bases pursuant to which the value of non-monetary investments has been assessed, information on the acquisition by a member of the supervisory board or by a corporate officer of any number of the company’s shares of stock, and also an indication either as to whether any special pre-emptive rights have been accorded to such corporate officer with respect to corporate shares of stock or to the company itself and whether or not reimbursement or compensation has been provided to such officer for his/her efforts in forming the company or in preparing for such formation.

3. The report on the formation of the company must be submitted to the registration authority along with the application for state registration of the company.
Article 16. Non-Monetary Investments

1. Non-monetary investments may be transferred to ownership of the company or under rights for long-term use.

2. The market value of the non-monetary assets provided to the company for long-term use is determined with regard to the period for such use as established by the articles of association of the company, the memorandum of association or by a resolution of a general shareholders’ meeting.

3. The market value of non-monetary investments, including claims of creditors against the company, are approved by a resolution of the founders’ meeting or a general shareholders’ meeting based on the published rates of an organized market as of the date of such investments.

4. Where the amount of a non-monetary investment of a company’s founder or shareholder exceeds 10% of the charter capital of the company, and where the property that constitutes the investment is not in circulation on an organized market, the valuation of such investment is approved on the basis of a valuation report of the non-monetary investment prepared by an accountant or specialized licensed organization that is not an affiliate of the company. Such report must be submitted to the registration authority along with the application for state registration of the company.

Provisions of the present Article also apply when a company acquires property from its founder during a period of two years after formation.

5. In the event of the early termination of the right to use property constituting a non-monetary investment transferred to a company, the shareholders are required to indemnify the company in monetary form for the difference between the valuation of the investment and the cost of the right to use the property constituting the investment until termination of the appropriate right of use.

Article 17. Payment for and Transfer of Property Constituting Investments Prior to State Registration

1. Fifty per cent of any agreed monetary investment must be paid up prior to the state registration of a company. The remaining amount must be paid in full at any time prior to the expiration of one year following state registration of the company.

2. The payment of an amount invested in the charter capital of the company is made in the form of a wire transfer of the appropriate amount of money to the bank account specified in a resolution of the founders to form the company. A statement from the bank certifying payment of monetary investments is submitted to the registration authority along
with an application for registration. Corporate officers may utilize the funds contributed to the company within the limits of their authority only after state registration of the company.

3. Non-monetary investments must be transferred to a company in full prior to state registration of the company.

4. A share of stock held by a corporate founder may not provide a voting right until paid up in full unless otherwise established by the articles of association of the company.

Article 18. Payment for and Transfer of Property Constituting Investments
Where a Company is Formed by Single Person

Where a company is formed by a sole founder, the founder is required to pay its monetary investment in full (transfer non-monetary investment in full) prior to state registration of the company.

Article 19. Conducting Business Prior to State Registration
[(Company in Formation)]

1. Prior to the state registration of a company, its founders may appoint representatives to act under a power of attorney, who will be authorized to perform legal acts on behalf of the founders connected with the formation of the company.

[Alternative]
1. From the moment of the signing and of the notarial authentication of the articles of association of the company and during the formation of the company, the company is entitled to engage in legal relations acting on its own behalf even where it has not yet been recorded in the state register. At this stage, the company’s business name must include the expression (phrase) “under formation” [в учrezhdении]. Prior to the notarial authentication of the articles of association of the company, acts on behalf of the company are not permitted.

2. Founders [Alternative: founders and corporate officers] and their representatives bear unlimited joint liability under obligations to creditors that arose during the period of corporate formation prior to its state registration. Such liability of the founders and representatives [Alternative: founders and/or corporate officers] is preserved where a company has not been registered and where attempts to obtain registration of the company have failed completely and have been discontinued.

3. At the moment of the state registration of a company, the rights and duties thereof that arose prior to state registration and connected with its formation pass to the company by force of law.

4. Persons who have acted on behalf of a company during its state registration are relieved of liability where they have acted reasonably [на-
zumno] in the interests of the company and with the requisite good faith [s neobkhodimoi dobrosvestnost'iu] for the conduct of business.

5. Where, as of the date of state registration, performance of the company’s obligations arising prior to registration have resulted in a reduction of the value of the company’s property below the minimum charter capital established in the articles of association of the company, the founders are required to make payment of the difference in proportion to the number of company’s shares of stock to which each of them is entitled. A company’s creditors also may make use of this right to bring a claim against the founders of the company. Making investments to the charter capital does not relieve the founders from liability where they have provided inaccurate data on the type and the valuation of their investments, made for the purposes of forming the company, have resulted in damages to the company.

Article 20. Application for State Registration

1. For the purpose of state registration of a company, an application is submitted to a registration authority, which must be signed by all the corporate officers and must contain the following information:
   1) the organizational-legal form of the company;
   2) the period of time for operation of the company if it has not been established for an unlimited period;
   3) the company’s business name;
   4) the type of entrepreneurial activity of the company;
   5) the amount of the charter capital of the company;
   6) the names, last names, dates and places of birth and of residence of the corporate officers; and
   7) documents evidencing the authority of the corporate officers to file an application for state registration.

2. In addition to the application for state registration of the company, the following documents must be submitted to the registration authority:
   1) the articles of association of the company, notarially authenticated;
   2) documents attesting to the election of the corporate officers;
   3) a list of the members of the board of directors (supervisory board), including their last names, names, places of residence and profession;
   4) the founders’ report on the formation of the company;
   5) the report of accountants or other, independent licensed organization on the valuation of non-monetary investments to the charter capital (where necessary); and
6) certification from a bank that monetary investments have been made to the charter capital of the company.

3. Corporate officers and other corporate representatives acting under a power of attorney are required to submit notarially authenticated specimens of their signatures to the registration authority to be included in the corporate register.

4. Legislation may provide that all the data submitted to the registration authority must be issued on, and accessible via, the company’s website after its state registration.

Article 21. Denial of State Registration

1. The registration authority is required to verify the accuracy of the data that is submitted for state registration of the company.

2. The registration authority is required to deny the state registration of a company where there have been violations of the legislative requirements in the course of state registration or where the documents for state registration have not been duly filed and the shortcomings, which have been identified, cannot be remedied.

Article 22. Public Nature of the State Register

1. The state register is public.

2. Any legally significant fact, which is subject to registration in the state register, is subject to such registration. Where there has been such registration, any third party is deemed to be a person who must be aware of the fact of such record. This rule on accessibility also applies to legally significant acts relating to the legal capacity of a company (including any change in the company’s legal status) performed during the period after the submission of documents for publication of information about such legal act where a third party proves that s/he/it did not know and could not have known about said fact prior to the publication thereof.

3. If any legally significant fact, subject to publication or to registration in the state register, has not been so published or recorded for any reason, a company may cite this fact in its relations with any third person where it has proof that the third party knew and/or should have known about such legally significant fact.

Article 23. State Registration of Shares Issued upon Formation of a Company. Entering Initial Records in the Company Register

1. Upon the formation of a company, all its shares must be issued as amongst its founders.
2. The procedure for, and the terms and conditions of, the state registration of share issues subject to placement upon the formation of a company are governed by securities legislation.

3. The initial records are entered in a company register on the basis of a ruling of a duly authorized agency for the state registration of the issue of shares subject to placement upon formation of the company and on a list of the founders of the company.

CHAPTER III. SHARES OF STOCK

Article 24. Shares of Stock

1. A company is entitled to issue shares of stock pursuant to securities legislation. A company is entitled to issue registered shares of stock only.

2. Legislation may provide for the possibility to issue fractional shares of stock. One share of stock may be held by several persons subject to a right of joint ownership.

Article 25. Authorized and Issued Shares of Stock

1. The number of authorized shares of stock must be determined in articles of association of the company and must reflect the maximum number of shares of stock authorized for placement.

2. Shares of stock authorized for placement are deemed to be the shares of stock, the exact number of which is determined by a resolution of the competent corporate body and which are subject to placement and payment under the terms and conditions established by said placement resolution, to the extent already authorized but not yet issued.

3. Issued shares of stock are deemed to be the shares of stock, the issue of which has been registered by a competent authority and that have been paid up in full by the first acquirers recorded in the company register.

Article 26. Par Value of Shares of Stock and No-Par-Value Shares of Stock

1. A company’s shares of stock may be issued as either shares of stock with par value or no-par-value shares of stock (without par value).

2. Legislation may provide for a minimum par value requirement for each share of stock.

3. The par value of a company’s shares of stock of the same category must be the same for all the shares of stock of [that] one category.

4. Par value of the shares of stock is specified in the articles of association of the company and reflects the portion of the charter capital of the company and property represented by a single issued share of stock.
5. No-par-value shares of stock also attest to a shareholder’s equity stakes in the charter capital of the company. An equity stakes in the charter capital represented by no-par-value shares of stock is determined by the relation of the number thereof to the amount of the charter capital of the company.

6. Par-value shares of stock may not be issued at the price lower than their par value. No-par-value shares of stock may not be issued at a price lower than the minimum issue price determined by a body of the company within the limits of the authority thereof.

7. The price at which shares of stock are to be sold to the persons who exercise pre-emptive rights, to the shares of stock which are being issued, may be lower than the price at which the shares of stock are sold to other persons, but not by more than 10%. The amount of commission paid to an intermediary for participation in the placement of additional corporate shares of stock may not exceed 10% of the total share placement price.

8. Shares of stock may be issued at a price higher than their par value or the minimum issue price.

Article 27. Consolidation and Splitting of Shares of Stock

1. Par-value shares of stock may be consolidated or split by changing the par value of each share of stock. No-par-value shares of stock may be consolidated or split by changing the quantity thereof. A resolution to consolidate or split the shares of stock must be adopted by not less than 75% majority of the total number of voting shares of stock at a general shareholders’ meeting.

2. In the event of a splitting, the par value may not fall below the minimum par value where it is established by domestic legislation. Shares of stock may be consolidated or split upon condition that the list of company’s shareholders and their equity stakes in the charter capital of the company do not change.

Article 28. Outstanding and Own Shares of Stock

1. An outstanding share of stock is deemed to be an issued share of stock that is held by a shareholder of the company.

2. An own share of stock is deemed to be an issued company share that subsequently was re-acquired from the shareholder by the company.

3. Unless otherwise established by legislation, own shares of stock must be reflected on the company’s balance sheet.

4. Own shares of stock do not enjoy voting rights at a general shareholders’ meeting, rights to dividends, or rights to receive a part of the company’s property where of liquidation.
5. Own shares of stock acquired or redeemed by the company to reduce its charter capital are subject to cancellation pursuant to the procedure established by a law.

6. Own shares of stock acquired or redeemed for the purposes not connected with reducing the charter capital, as well as other issued shares of stock of the company accepted by the company as a pledge, must not exceed 10% of the total number of the issued shares of stock of the company.

7. Where there has been a failure to comply with the requirement contained in clause 6 of the present Article, the company is required, within one year, to the extent (in quantities) sufficient to ensure compliance with the requirement contained in that clause, to do the following:

1) alienate the own shares of stock, and/or
2) cancel the own shares of stock resulting in a reduction of the total number of authorized shares of stock and the amount of charter capital, or in preservation of the amount thereof by proportionately raising the par value of all the company’s issued shares of stock unless it is established in the articles of association of the company that the above increase in the value applies to shares of stock of one or several specific types.

Article 29. Share Categories. Common Shares of Stock

1. A company is entitled to issue shares of two categories: common shares of stock and preferred shares of stock.

2. A common share of stock certifies the right of its holder to one vote for the purposes of adopting resolutions at a general shareholders’ meeting, to receive one share of dividends, and the appropriate portion of the company’s property in the event of liquidation.

3. Property rights certified by common shares of stock may be exercised only after all the property rights of the holders of preferred shares of stock have been satisfied in full.

4. The articles of association of the company may provide for the possibility to issue common shares of stock of one or more types.

Article 30. Preferred Shares of Stock

1. A preferred share of stock provides preferences to the owner thereof as compared with the owners of common shares of stock concerning the amount of dividends, order of priority in receiving dividends and order of priority in receiving a portion of the company’s property due to it [the owner] in the event of liquidation.

2. A preferred share of stock does not accord a voting right to the holder thereof except for those instances provided for by the present Law.
3. A preferred share of stock accords the holder thereof the right to receive a portion of the company's property in the event of liquidation in an amount corresponding to the liquidation value of such share of stock.

4. The liquidation value of a preferred share of stock is determined in the articles of association of the company and may be higher than its par value. Where the articles of association of the company do contain any provisions under which the liquidation value of a share of stock is determined, the owner of such share of stock, upon liquidation of the company, is entitled to a portion of the company's property corresponding to the par value of such share of stock.

5. The cumulative par value of the company's preferred shares of stock must not exceed 25% of the charter capital of the company.

6. The articles of association of a company may provide for the possibility to issue preferred shares of stock of one or more types.

Article 31. Types of Shares of Stock

1. A type of common share of stock or preferred share of stock is deemed to be the totality of shares of stock with the same type features, such as providing rights of a certain nature and scope, the same par value where it is determined, uniform terms and conditions of the circulation and uniform state registration number of the share issue.

2. The articles of association of the company may provide for the issue of various types of common shares of stock or preferred shares of stock.

3. A company is entitled to issue preferred shares of stock with a fixed or non-fixed dividend amount. Fixed dividends are established as a specific amount per share of stock or a specific percentage of the share par value. Preferred shares of stock with a fixed dividend amount may be cumulative, partially cumulative or non-cumulative. Preferred shares of stock with a fixed dividend are cumulative where it is established in the articles of association of the company that the unpaid dividend thereunder or a dividend not paid in full, the amount of which is set forth in the articles of association of the company, accumulates and is payable prior to the deadline established in the articles of association of the company. Where the articles of association of the company fail to establish such deadline, the preferred shares of stock are not cumulative.

4. Cumulative shares of stock provide to the owners thereof a right to receive all the dividends accumulated over a certain period in one payment or the right to receive dividends in a subsequent period where the company has not paid them in a previous period.

5. Partially cumulative shares of stock provide a right to receive a part of the accumulated dividends in a subsequent period where the company...
has not paid them in a previous period and where such right is not provided to non-cumulative shares of stock.

6. A preferred share of stock with fixed dividend amount does not provide to the owner thereof a right to vote at a general shareholders’ meeting except for the instances where:
   1) fixed dividends on cumulative or partially cumulative shares of stock have not been paid out during a period established by the articles of association of the company. In such case, the right to vote terminates after the accumulated dividends have been paid out in full; or
   2) a general shareholders’ meeting has adopted a resolution to change the rights of the holders of preferred shares of stock due to a corporate reorganization or liquidation, the additional issue of preferred shares of stock of another type that provide to the owners thereof with additional rights compared to those provided to the owners of the outstanding preferred shares of stock, or for any other reasons provided for by securities legislation or by the articles of association of the company.

7. Preferred shares of stock for which the dividend amount has not been fixed do not have a voting right except for the instances described in subparagraph 2) of clause 6 of the present Article.

8. If a company places shares of stock of two or more types, the articles of association thereof must provide for the order of priority in paying out dividends on, and the liquidation value of, preferred shares of stock of each type.

9. A company is entitled to place shares of stock of such types that may or must allow for the redemption or conversion thereof (exchange into other securities of the company) by the company, subject to the procedure established by the present Law and by other laws and by the articles of association of the company.

10. A competent governmental authority is entitled to set limitations on the issue and circulation of shares of stock of specific types.

Article 32. Corporate Register

1. A company is required to ensure that the corporate register is kept pursuant to the present Law and securities legislation. Only a person who is listed in the corporate register as its shareholder is deemed to be a shareholder of the company. Shareholder rights are exercised only on the basis of a corporate shareholder register compiled by the corporate registrar.

2. A corporate register must contain the following:
   1) basic corporate information;
   2) the corporate securities balance sheet;
3) records of personal accounts of the persons (shareholders or nominal holders of shares of stock) listed in the corporate register with an indication of the category, type and quantity of shares of stock held by them, the acquisition cost thereof, and any encumbrances on the rights to such shares of stock;

4) records about the transfer of rights to shares of stock; and

5) other records and documents as provided by the present Law and by securities legislation.

3. A corporate register may be maintained by either the company itself or by a registrar acting under an agreement to maintain the corporate register.

4. If fewer than fifty persons are listed in the corporate register and the shares of stock do not circulate on organized markets, the company may keep its register by itself. Shareholders holding 10% or more of the company’s voting shares of stock are entitled to demand that the register be kept by a registrar.

5. Each shareholder is entitled to request data from the register relating to the corporate shares of stock held by such shareholder.

6. The person who maintains a corporate register is required to enter records in the corporate register, issue extracts from the corporate register to shareholders and to the company, to verify with the company each month the information on the corporate share balance sheet and to perform such other duties as provided by the present Law and by securities legislation and by the agreement between the company and the registrar.

7. A registrar is liable for the damage to a holder or nominal holder of securities caused by the registrar’s failure to enter a record in the corporate register, the failure or unreasoned denial to enter a record in the corporate register or to issue an extract from the register, committing errors in the course of maintaining the register or under other circumstances provided by legislation.

8. A company and a registrar are jointly liable for the losses caused to a shareholder as the result of a failure comply with the procedure for keeping a register where it cannot be proven that proper compliance was impossible due to insuperable force or to an act (omission) of a shareholder who is claiming indemnification of loss, including as a result of the fact that the shareholder failed to take reasonable efforts to reduce such loss. A debtor who is jointly liable is entitled to recourse against another debtor to the extent of the other debtor’s fault.

9. Any legal fact that is subject to reflection (recording) in the corporate register is subject to such reflection (recording). Where any fact is so reflected (recorded) in the corporate register, any interested party
is deemed to be that person who in any event should be aware of such reflection (record).

10. Where any fact that is subject to reflection (recording) in the corporate register was not so reflected (recorded) for any reason whatsoever, a third party is deemed to be that person who knew (should have known) about that fact where there is evidence that such third knew and/or should have known about said fact.]

CHAPTER IV. RIGHTS AND DUTIES OF SHAREHOLDERS

Article 33. General Provisions for Exercising Shareholder Rights

1. Where the terms and conditions are equal, shareholders have equal status and where the terms and conditions are equal, shareholders are to be treated in the same way.

2. When exercising the rights of a shareholder, it is necessary to take into account the interests of society and of the other shareholders.

Article 34. Rights of Shareholders

1. Shareholders have a right to:
   1) participate in general shareholders’ meetings, elect and be elected to bodies of the company;
   2) familiarize themselves with the agenda of the general shareholders’ meeting;
   3) familiarize themselves with and make copies of the company’s documents, access to which is permitted by the present Law, by the articles of association of the company or by the internal documents of the company;
   4) receive declared dividends pursuant to the category and type of shares of stock and in proportion to the quantity of shares of stock held by them;
   5) alienate the shares of stock they hold, encumber them with third-party rights, use them as security or transfer them to trust management [doveritel’noe upravlenie];
   6) demand that the company redeem the shares of stock they hold in the instances provided for by Article 46 of the present Law;

9 As a rule, claims with respect to the transfer of rights to shares and questions of the good faith acquisition thereof are governed by securities legislation and by the civil code. However, legislation often is ambiguous about such matters. Where the matters in question are duly regulated in the appropriate legislative acts, it not unreasonable to exclude clauses 9 and 10 of Article 32 from a national law on joint-shares of stock companies. [Translator’s note: The asterisked footnote, contained on this page, is also found in the original Russian-language version.]
7) receive a portion of company’s property in the event of liquidation;
8) submit items to be included on the agenda of a general shareholders’ meeting;
9) exercise other rights provided by the present Law or by the articles of association of the company.

2. A shareholder that owns the shares of stock without voting rights may participate in a general shareholders’ meeting concerning the items on the agenda.

3. Shareholders owning shares of stock without voting rights acquire a right to vote at a general shareholders’ meeting as regards specific or all the items on the agenda only in the instances provided by the Law or by the articles of association of the company.

4. The content and/or scope of the rights of shareholders, provided by holding shares of stock of any type, may be modified only by a resolution of a general shareholders’ meeting. Such resolution is effective where shareholders, holding all the shares of stock of such type, have adopted a specific resolution by a 75% majority of votes provided by such shares of stock, and where appropriate changes and amendments have been made to the appropriate prospectus or to the terms and conditions of the issue pursuant to the established procedure.

5. A shareholder is not entitled to demand that the company acquire the shares of stock held by such shareholder except for the instances provided for by the present Law, other legislation or by the articles of association of the company.

6. The articles of association of a company may set limitations on the number of shares of stock directly or indirectly held by one shareholder, and on the cumulative par value of such shares of stock, as well as on the maximum number of votes which one shareholder may cast during voting at a general shareholders’ meeting. Shares of stock acquired by a shareholder that are in excess of such limitations do not accord her/him/it voting rights during the period when the limitation is in effect or when the number of shares of stock, which s/he/it holds, exceeds such limitation.

7. Where one share of stock is jointly held by several persons, such persons may exercise their rights under the share through an authorized representative duly appointed by them. However, they are jointly liable for obligations connected with paying up the corporate shares of stock which belong to them by right of joint ownership.
Article 35. Additional Shareholder Rights

1. Shareholders that hold not less than 5% of a company's voting shares of stock, in addition to the rights specified in Article 34 of the present Law, also are entitled to the rights, provided for by the present Law, other legislation and the articles of association of the company of the company:
   1) to nominate (propose) candidates to the supervisory board (board of directors);
   2) to demand that an extraordinary meeting of the supervisory board (board of directors) be convened;
   3) to demand that an extraordinary general shareholders' meeting be convened pursuant to the procedure established by the present Law.

2. The articles of association of a company may provide other additional rights to shareholders.

Article 36. Right to Alienate Shares of Stock

1. Shareholders freely alienate their shares of stock unless otherwise established by the articles of association of a company. The right to alienate shares of stock of a public company may not be limited.

2. The articles of association of a company may provide that disposition by a shareholder of the shares of stock held by such shareholder is subject to the consent of the company represented by its executive body. However, the articles of association of the company may provide that a resolution expressing such consent is adopted by the board of directors or by a general shareholders' meeting. The articles of association of the company may also establish the grounds upon which such consent may be denied.

3. The articles of association of a company may provide for a preemptive right of acquisition of shares of stock. In this event, a shareholder wishing to sell shares of stock belonging to her/him/it is required to transmit a written acquisition proposal to an executive body of the company specifying the terms and conditions of the proposed transaction.

4. Where the articles of association of a company provide for a pre-emptive right of acquisition of shares of stock, then, unless other shareholders of the company have exercised their pre-emptive right of acquisition of the shares of stock proposed by the person who is disposing of them within one month from the date of receipt by the company of an offer from the shareholder, the company is entitled to acquire such shares of stock itself or to offer them to a third party.

5. Where, as provided for in clause 4 of the present Article, a company or a third party has failed to exercise the right of acquisition the shares of
stock being disposed of during the second month as of the date of receipt by the company of an offer from the shareholder, the shareholder is entitled to sell the shares of stock to any person at a price not lower than the initial price offered to the other shareholders and to the company.

6. Where the articles of association of a company provide for a preemptive right of acquisition of shares of stock, the shares of stock of a shareholder may be sold to satisfy the claims of creditors against such shareholder under a court judgment only after the appropriate shares of stock have been offered to other the shareholders and to the company itself, and where within two months as of the date of such offer by said creditors neither the shareholders of the company nor the company itself has exercised the pre-emptive right of acquisition of such shares of stock.

Article 37. Function of Special Accountants

1. On the basis of a motion or statement of an interested party or upon the receipt of information from public sources, the general shareholders' meeting may adopt a resolution to verify a certain circumstance that occurred during the formation of a company or in the course of its business and, for this, may appoint an accountant. Any shareholder whose interests are affected with respect to such circumstances may not vote on that matter.

2. Where a motion for appointment of special accountants to verify circumstances that occurred during the previous five years has been rejected by the general shareholders' meeting, upon a petition filed by shareholders, whose cumulative interest reaches one-hundredth of all the voting shares of stock, a special accountant may be appointed by a court, where the court has reason to believe that there have been gross violations of a law or the articles of association of a company.

3. If special accountants are appointed by a court, the company bears all the expenses connected with such audit.

Article 38. Responsibilities of Shareholders

1. A shareholder is required to:

1) pay the company's share issue price to the company or transfer to the company appropriate property that constitutes the shareholder's non-monetary investment using a method provided by the articles of association of the company for payment for the acquired corporate shares of stock;

2) inform the registrar and/or the company of any changes in data relating to her/him/it that has been entered in the corporate register;

3) notify in writing the company, the authorized agency or a governmental anti-monopoly authority of the acquisition and/or the intent
to acquire corporate shares of stock in an amount exceeding the limits established by securities legislation or by other legislative acts;

4) perform other responsibilities as provided for by the present Law and by other legislative acts.

2. Shareholders who are corporate officers of a public company are required to notify in writing the company and the authorized agency of all their transactions with corporate shares of stock pursuant to the procedure established by securities legislation.

3. Where a failure to perform or the improper performance of the requirements set forth in clause 1 and 2 of the present Article result in damage to the company, the shareholder is liable to the company for the amount of such damage. Where such failure to perform or to improper performance, in addition to the damage caused to company, results in damage to specific company shareholders, the shareholder also is liable to the appropriate shareholders for the amount of such damage.

**Article 39. Consequences of Failure of Make Timely Payment for Shares of Stock**

1. A shareholder who has failed to make timely payment for corporate shares of stock is liable as provided by the present Law, by other legislative acts or by the articles of association of the company.

2. In the event of the untimely transfer of monetary investments, a person is required to pay to the company 5% of the value of appropriate unpaid portion of the investment, as of the moment when the investment should have been paid up in full. A company is entitled to provide an additional thirty-day period to such defaulting person for proper payment of his investment. Where the person fails to observe that period, the company is entitled to declare that all the partial investments, made by that person, revert to the property of the company while the person loses the status of a company shareholder under the appropriate shares of stock, and the person's right to demand transfer of shares from the company also ceases. In this event, the company must immediately sell the shares that were previously due to such person on organized securities markets at the prevailing price. However, if such sale on organized markets is impossible, the shares are sold through a public bidding process using the auction method or any other method provided by legislation.

3. The articles of association of a company may provide for other forms of the indemnification of damage to the company, compensation for its losses or other penalties in the event of an untimely payment for shares.
Article 40. No Disclaimer or Exemption from Liability to Make an Investment

1. A company may not exempt a shareholder from an obligation to make a monetary or non-monetary investment, as well as from other obligations arising from the non-performance of the above obligations.

2. Shares of stock that are to be paid for in cash, pursuant to the terms and conditions of the issue, may not be paid for by setting off shareholders' claims towards the company.

3. Shareholders may be exempt from an obligation to make investments only by a normal reduction of the capital pursuant to Article 64 or by a reduction of capital through the reacquisition of shares of stock by the company pursuant to Article 65 [Option B] of the present Law.

Article 41. No Return of Investments

Investments may not be returned to shareholders except as provided by the present Law.

Article 42. Payment for Prohibited Benefits and Income

1. Shareholders and their related parties are required to pay to a company the value of all the pre-emptive rights with respect to the company (e.g., company management rights), or of securities issued by the company and/or income generated as a result of a violation of provisions of the present Law.

2. A company's claim pursuant to clause 1 of the present Article is exercisable pursuant to Articles 136 and 137 of the present Law.

Article 43. Obligation to Indemnify Losses

1. A shareholder who deliberately uses her/his/its influence upon a company to compel a corporate official to perform an act, which results in losses to the company, is required to indemnify the company for the losses resulting therefrom. The shareholder also is required to indemnify losses of other shareholders where such acts of compulsion have resulted in losses to shareholders in addition to the losses incurred by the company.

2. Corporate officers who have acted in violation of their responsibilities are jointly liable with the above-mentioned shareholder. In the event of a dispute, they bear the burden of proof that they have exercised due care of a decent [poriadobnyi] and good-faith manager. Corporate officers are not required to indemnify losses to a company or to shareholders where their acts were pursuant to a resolution of a general shareholders' meeting adopted pursuant to a law. Approval of such acts of corporate officers by
3. A person who has obtained benefits from the acts resulting in damages to a company is jointly liable with the above-mentioned corporate officers where such person intentionally compelled [умышленно принудило] the shareholder to use her/his/its influence upon the company.

4. A demand for indemnification of losses also may be made to the shareholder by a company's creditors where they are unable to have their claims satisfied by the company. A shareholder’s obligation to indemnify losses of creditors may be not extinguished as the result of either a company’s waiver of the appropriate claim or of an amicable settlement agreement with such creditors, or as the result of referring to the fact that the act was pursuant to a resolution of a general shareholders' meeting. Where insolvency proceedings have been instituted against a company, during the period of the proceedings, the rights of creditors are exercisable by the receiver who is conducting the insolvency proceedings or by the competent authority.

5. These rules do not apply where the corporate officer had to perform the acts that resulted in damage as a result of exercising the following:

1) a voting right at a general shareholders’ meeting; or
2) management powers pursuant to a subordination agreement [договор о подчинении].

**Article 44. Shareholders’ Agreement**

1. Shareholders and/or third parties are entitled to conclude an agreement (agreements), whereby the parties thereto undertake to exercise, in a specific manner, the rights certified by the shares of stock and/or rights to shares of stock, and/or abstain from exercising said rights (hereinafter “a shareholders’ agreement”), including voting at a general shareholders’ meeting, coordinating voting with other shareholders, alienating shares of stock at a pre-determined price or abstaining from alienating shares of stock until the occurrence of conditions subsequent, etc.

2. A shareholders’ agreement does not require any special form. In the event of the alienation by a participant (party) to a shareholders’ agreement of the shares of stock belonging to her/him/it, as regards the holding of which [shares] a shareholders’ agreement has been concluded, the rights and duties under the shareholders’ agreement do not transfer to the acquirer of such shares unless otherwise expressly provided in such shareholders’ agreement and in the agreement between the alienator and the acquirer of such shares.

3. The subject-matter of a shareholders’ agreement may not include a shareholder’s obligation to vote pursuant to proposals made by bodies of
the company, the shares of stock of which are subject to such agreement, or the setting terms and conditions which in bad faith [nedobrosoveštvo] limit the freedom of adopting resolutions of a general shareholders’ meeting in favour of certain persons who are members of the bodies of the company.

4. A shareholders’ agreement is only binding upon the parties thereto. However, a shareholder may not be denied the exercise of shareholder rights or rights to shares of stock due to his violation of the shareholders’ agreement. A violation of a shareholders’ agreement may not be a ground for declaring resolutions of bodies of the company to be invalid.

5. A shareholders’ agreement may provide for liability for failing to perform (the improper performance of) such obligations, provided that this does not contravene the general provisions of civil legislation.

6. Disputes arising in connection with the validity and/or performance of a shareholders’ agreement may be heard by a commercial arbitration court (arbitration court) pursuant to the terms and conditions of such agreement.

7. A person who pursuant to a shareholders’ agreement has acquired the right to determine the procedure for voting the shares of stock of a company at the general shareholders’ meeting, the issue of securities [of said company] which are subject to state registration, is required to notify the company of the acquisition of such a right where, as a result of the acquisition thereof, such person will be able, independently or jointly with its affiliates, to control more than [5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%] of the votes under the issued, common shares of stock of the company.

Article 45. Company Acting as a Party to a Shareholders’ Agreements

A company is entitled to participate in (be a party to) a shareholders’ agreements unless otherwise established by legislation or by the articles of association of the company. Provisions contained in Article 138 and 139 of the present Law apply to the conclusion of such agreements. Where an agreement is concluded in violation of the aforementioned provisions, the shareholder who is a party to such agreement is deemed to have known about such violation.

Article 46. Redemption of Shares of Stock by Company upon Shareholders’ Demand

1. Shareholders holding voting shares of stock are entitled to demand that a company redeem all or part of the shares of stock of the company owned by such shareholders in the following instances:
1) the general shareholders’ meeting has adopted a resolution to reorganize the company (where the shareholder has taken part in the general shareholders’ meeting and has voted against the reorganization during the adoption of the appropriate resolution);

2) the general shareholders’ meeting has adopted a resolution to delist shares of stock of the company (where the shareholder has not taken part in the general shareholders’ meeting or where the shareholder has taken part in said meeting but has voted against such delisting);

3) a shareholder objects to a resolution of the general shareholders’ meeting on the conclusion of a major transaction by the company and/or with a resolution of the company to conclude [such] a transaction, where there is a conflict of interest, when such resolutions have been adopted pursuant to the procedure established by the present Law and in the articles of association of the company.

2. The list of the shareholders entitled to demand that a company redeem their shares of stock is compiled on the basis of the data contained in the corporate register as of the date of compiling the list of persons entitled to take part in a general shareholders’ meeting, the agenda for which includes items that, pursuant to the present Law, after a vote on them is taken, could lead to the shareholders becoming entitled to demand redemption of their shares of stock.

3. A company redeems the shares of stock at the price established by a company’s board of directors (supervisory board), such price not being lower than the market value which must determined by an independent valuator without regard to the change in such value caused by the company’s activities resulting in accrual [by shareholders] of a right to demand valuation and redemption of shares.

**Article 47: Right of Shareholders to Demand Redemption of Their Shares of Stock by a Company**

1. A company is required inform the shareholders of their right to demand redemption of their shares of stock by the company and, also, of the price of such redemption and the redemption procedure.

2. The notice forwarded to shareholders informing them of a general shareholders’ meeting, the agenda of which includes items that pursuant to the present Law, after a vote on them is taken, could lead to the shareholders becoming entitled to demand redemption of their shares of stock by the company, must contain the data specified in Clause 1 of the present Article.
3. A demand of a shareholder for the redemption of her/his/its shares of stock is forwarded to a company, in writing, containing such shareholder’s address and the number of shares which such shareholder is demanding to be redeemed. The signature of the shareholder—a natural person or her/his/its representative—affixed to the shareholder’s demand for redemption of her/his/its shares, as well as the revocation of such demand, is authenticated by a notary or by the corporate registrar.

Shareholder demands for redemption of her/his/its shares of stock by a company must be submitted to the company within 45 days after the appropriate resolution has been adopted by a general shareholders’ meeting.

A shareholder is not entitled to affect any transactions related to the alienation or encumbrance of such shares of stock in favour of third parties from the moment that a company has received the shareholder’s demand for redemption of her/his/its shares of stock until a record on the transfer of right to the shares of stock being redeemed by the company has been entered into the corporate register or until the shareholder revokes the demand for redemption of her/his/its shares of stock, an appropriate record of which is entered into the corporate register. A shareholder’s revocation of a demand for redemption of her/his/its shares of stock must be received by the company within the timeframes established in Paragraph 2 of this Clause.

4. A company is required to redeem the shares of stock held by the shareholders, who have submitted demands for the redemption thereof, within thirty days after expiration of the period established in Paragraph 2, Clause 3 of the present Article.

No later than fifty days after the appropriate resolution has been adopted by a general shareholders’ meeting, a company’s board of directors (supervisory board) approves the report on the results of a demands of shareholders for redemption of their shares of stock.

The corporate registrar enters the record on the transfer of ownership rights to the shares of stock redeemed by a company in the corporate register based on the report on the results of a demand of shareholders for redemption of their shares of stock approved by the company’s board of directors (registrar). Such record is made based on a demand of shareholders for redemption of their shares of stock, as well as on the other documents certifying that the company has performed its obligation in full to make payments to the appropriate shareholders who have submitted a demand for redemption of their shares of stock.
Article 48. Limitation on Redemption of Outstanding Shares of Stock by a Company

The number of outstanding shares of stock redeemed by a company must not exceed 25% of the total number of outstanding shares of stock, whereas the costs associated with the redemption of outstanding shares of stock must not exceed 10% of the company’s capital as of the date of redemption of outstanding shares of stock at a demand of a shareholder compiled as of the date of the general shareholders’ meeting which has adopted any one of the resolutions enumerated in Clause 1 of Article 46 of the present Law.

CHAPTER V. A COMPANY’S DIVIDENDS

Article 49. Payment of Dividends

1. A company is entitled, following the results of the first quarter, six months, nine months of the fiscal year and/or following the results of the entire fiscal year, to adopt a resolution (make a declaration) to pay dividends on outstanding shares unless otherwise required by the present Law.

   [Alternative: 1. A resolution (declaration) on paying out dividends following the results of the first quarter, six months, or nine months of the fiscal year may be adopted within three months after the end of the appropriate period.]

   A company is required to pay all the dividends announced for each share class and/or type. The dividends are payable in money, and, in the instances permitted by a resolution on payment of dividends adopted by a general shareholders’ meeting—in other property established by such resolution, where the shareholder receiving such dividends has no objections thereto.

2. Dividends are paid out from the after-tax income of a company (the company’s net income).

   Where so stipulated in the articles of association of a company, the dividends on preferred shares of stock may be paid out from company’s special funds which have been created for such purposes.

3. Resolutions to pay out (declare) dividends, including resolutions on the amount of dividends and payment method for each share category and/or type, are adopted by a general shareholders’ meeting. The amount of dividends must not exceed the amount recommended by the board of directors (supervisory board) of a company.

4. The timeframes and procedure for paying out dividends are established in the articles of association of a company or by a resolution of the general shareholders’ meeting on paying dividends. Where the articles of
association of the company fail to establish the timeframes for dividend payment, such period must not exceed 60 days from the adoption of the resolution (declaration) on dividend payment.

5. Any person indicated on the list of shareholders, who are entitled to partake in the general shareholders’ meeting, is entitled to dividends.

A list of persons entitled to dividends is compiled as of the day of compiling the list of persons, who are entitled to participate in the general shareholders’ meeting, during which the resolution on paying out the appropriate dividends is adopted. For compiling the list of persons entitled to dividends, a nominal shareholder is required to provide the registrar or the company (depending on who maintains the corporate register) with data about the persons in whose interests s/he/it holds the shares.

6. The dividends which have not been received by shareholders, who have been notified by the company about the need to receive dividends, are revoked three years after adoption of the appropriate dividend payment resolution, and cannot be claimed from the company.

**Article 50. Limitations on Dividend Payments**

1. A company is not entitled to adopt a resolution on (to declare) payment of dividends (including those following the results of the first quarter, six months, nine months of the fiscal year) on common shares of stock and preferred shares of stock where the amount of dividend has not been determined unless a resolution on the payment of dividends in full (including those dividends accrued on cumulative preferred shares of stock) on all types of preferred shares of stock, for which the amount of dividends (including those following the results of the first quarter, six months, nine months of the fiscal year) is established by the articles of association of the company, has already been adopted.

2. A company is not entitled to adopt a resolution on (to declare) payment of dividends on preferred shares of stock of a specific type, the amount of the dividend for which is set by the articles of association of the company unless an appropriate resolution has been adopted on payment of dividends in full (including those dividends accrued on cumulative preferred shares of stock) on all other types of preferred shares of stock that have priority in terms of the order of dividend payment.

3. A company is not entitled to pay the declared dividends on shares in the following instances:

   1) where, as of the date such resolution is adopted, the company meets the indicia of insolvency (bankruptcy) as set forth in bankruptcy legislation, or where such indicia appear as a result of payments of dividends;
2) where, as of the date of payment, the value of the company’s net assets is less than the amount of its charter capital, reserve fund or paid-in surplus of the liquidation value of its issued preferred shares of stock as indicated in the articles of association of the company or where the value of the company’s net assets falls below the aforementioned total amount as the result of dividend payment; or

3) in other instances set forth in legislative acts.

Upon cessation of the circumstances enumerated in this Clause, the company is required to pay all the declared dividends in full to the shareholders.

**Article 51. Contesting a Resolution on the Distribution of a Company’s Net Profit**

A shareholder may contest a resolution on the distribution of a company’s net profit where the general shareholders’ meeting has adopted a resolution to increase its reserve fund using such net profit or, for any other reason, refuses to pay dividends the right to which has not been limited by a law or the articles of association of the company, where based on a reasonable commercial valuation such refusal to pay dividends is not conditioned by the necessity to maintain the company’s viability and sustainability in the near future, which prevents the company from distributing its profit amongst the shareholders in the amount of 4% or more of the total amount of the charter capital of the company.

**Version A. A Company with Charter Capital**

**CHAPTER VI. THE CHARTER CAPITAL OF A COMPANY**

**Article 52. Charter Capital**

1. The articles of association of a company establish the amount of the charter capital of the company expressed in the national currency as a minimum amount required to secure the property interests of the company’s shareholders and creditors.

2. Where a share of stock has a par value, the charter capital is equal to the total par value of all the shares of stock issued.

3. Where a company issues shares of stock of no par value, each share of stock is deemed to constitute a portion of the charter capital of the company, and the amount of such charter capital is equal to the book value of investments made to pay up the outstanding shares of stock.
4. Where the book value of investments made to pay up the shares of stock exceeds the par value of such shares of stock, such excess constitutes the company’s additional paid-in capital.

5. The amount of charter capital of a company that has issued par value shares of stock is set forth in the articles of association of the company, the balance sheet and in the register.

Article 53. Net Assets
A company’s net assets are determined pursuant to national accounting legislation.

Article 54. Minimum Charter Capital
The charter capital of a company must constitute [ ].

Article 55. Changing Charter Capital
1. The amount of a charter capital of a company is changed through an appropriate increase or reduction pursuant to the present Law, securities legislation, and the articles of association of the company.

2. A resolution to change the amount of the charter capital is adopted by a general shareholders’ meeting, and, in the instances set forth in Article 58 of the present Law, by the company’s board of directors (management committee).

3. A resolution to change the amount of the charter capital must specify the grounds and procedure for, and the amount of, the change in the amount of the charter capital, and provide information about the number of corporate shares of stock issued or revoked and their par value, if such has been determined.

4. A resolution to change the amount of a charter capital of a company must be reflected in the corporate register and published on the company’s website pursuant to the procedure established by a law. This requirement must be enforced by the executive body (the person performing the functions of the company’s sole executive body).

Article 56. Increasing the Charter Capital of a Company through an Additional Share Issue
1. A resolution to increase the charter capital of a company through an additional share issue is adopted at a general shareholders’ meeting by a majority of votes constituting not less than 75% of the total number of votes exercisable by the shareholders participating in said general shareholders’ meeting.

2. A resolution to increase the charter capital of a company through an additional share issue must indicate the number of additional shares
of stock issued in each category and/or type, the method of issue, the
minimum subscription price for the additional shares of stock, or the
procedure for calculating such minimum price, including the minimum
issue price or the procedure for calculating such price for the issue of
additional shares of stock to persons exercising the pre-emptive right of
acquisition of such issued shares of stock, and the payment methods for
the additional shares of stock subscribed. Such resolution may also include
other terms and conditions of the issue.

3. A company is not entitled to issue an order to record such shares of
stock in the name of their buyer in the corporate register until the share
of stock being offered is paid up in full.

Article 57. Increasing Charter Capital by Transformation of Reserve Fund and
Capitalization of Retained Profits

1. After the annual balance sheet has been approved by the general
shareholders’ meeting, the latter may adopt a resolution to increase the
charter capital by transforming the reserve fund or allocating the retained
profits to the charter capital where such resolution is adopted by a major-
ity of votes constituting not less than 75% of the total number of votes
exercisable by the shareholders participating in such general shareholders’
meeting.

2. The reserve fund and the retained profits cannot be transformed into
the charter capital where the company has negative annual balance.

3. An increase in the charter capital may be used to issue and offer
additional shares of stock. Alternatively, a company may raise more funds
from the current shareholders by raising the par value of the shares of
stock issued earlier. An issue of additional shares of stock, as well as an
increase in the par value of shares of stock, is subject to registration with
the competent authority.

4. Shareholders are entitled to acquire new shares of stock in propor-
tion to the shares of stock already held by them. Any resolutions adopted
by the shareholders’ meeting in violation of the aforementioned rule are
void ab initio. The nature of the rights relating to shares of stock is affected
by an increase in a charter capital of the company.

5. Corporate officers bear liability for ensuring that the shareholders
and the rights thereof to the company’s shares of stock acquired through
an increase in charter capital pursuant to the present Article are recorded
in the corporate register. The rights of the shareholders arise upon regis-
tration of their rights to shares of stock unless otherwise provided by the
appropriate resolution adopted by a general shareholders’ meeting.
Article 58. Increasing the Charter Capital of a Company by Issuing Authorized Shares

1. The articles of association of a company or any resolution adopted by a general shareholders’ meeting with respect to amending the articles of association of the company, may vest the management committee (board of directors) with a right to increase the charter capital of the company up to the established maximum amount (stated capital) for a maximum period of five years. The maximum amount, by which the charter capital may be increased using this method, may not exceed 50% of the charter capital. Where the right to such an increase of the charter capital is provided for by an individual resolution adopted by a general shareholders’ meeting rather than by the articles of association of the company, such resolution must be published on the company's website and reflected in its register pursuant to the procedure established by a law.

2. The articles of association of a company or a resolution of the general shareholders’ meeting must specify the number of additional common shares of stock and/or preferred shares of stock of each type within the issue. The minimum share issue price may also be established by the articles of association of the company.

3. Such resolution must grant the following rights to the management committee (board of directors):
   1) to submit an application for registration of the authorized shares of stock pursuant to the articles of association of the company;
   2) to decide on placement [of shares];
   3) to submit an application to the competent authority for registration of the shares issue;
   4) to submit an application for registration of shares issue in the corporate register.

4. A resolution to issue authorized shares of stock is adopted by the company’s board of directors unanimously with all the board of directors present, but votes of the members of the board of directors, who have resigned or have been dismissed from office, are not counted.

Alternative:
[4. A resolution to issue authorized shares of stock is adopted by the management committee]

5. A company issues its additional shares of stock only in the quantity of authorized shares of stock established by the articles of association of the company.
Article 59. Pre-emptive Right of Acquisition of Shares of Stock

1. Each shareholder must be entitled, upon her/his/its demand, to receive a portion of new shares of stock in proportion to her/his/its share in the former charter capital, with the rights attributable to such shares of stock to be the same [as those granted earlier]. Such pre-emptive right of the owners of common shares of stock applies to the acquisition of common shares of stock of any type issued by a company, as well as to that of any securities convertible into common shares of stock issued by the company. The minimum time period set for a shareholder to exercise her/his/its pre-emptive right is not less than two weeks.

2. The executive corporate body is required to publish the price of offered shares of stock or the principles used to calculate it, as well as the time period for purchasing such shares of stock, as indicated in Clause 1 of the present Article, in a periodical used for company's publications. If provision is only made for the principles of price calculations, the offering price must also be published not less than three days prior to the expiration of the period established for acquisition of the shares of stock.

3. The pre-emptive right of acquisition of shares of stock may be revoked in whole or in part only pursuant to a resolution on increasing the charter capital. In this case, the resolution, along with the requirements on increasing capital set forth in domestic legislation or in the articles of association of a company, must be adopted by a majority of shareholders' votes at the time of resolution-making constituting not less than 75% of the total number of the company's voting shares of stock. The articles of association of the company may establish other requirements and a greater number of votes for a qualified majority, as well as other requirements. The revocation of a pre-emptive right of acquisition of shares of stock is permitted when the increase in the charter capital achieved through monetary investments does not exceed 10% of the current amount of the charter capital, and the share offering price is not significantly lower than the market price.

4. A resolution revoking a pre-emptive right of acquisition of shares of stock in whole or in part may be adopted only where consideration thereof is clearly and duly included as an item on the agenda of the forthcoming general shareholders' meeting that is subject to publication as required pursuant to the present Law. The management committee (board of directors) must provide a report to the general shareholders' meeting explaining the reasons for revocation in whole or in part of the pre-emptive right of acquisition of shares of stock; the report contains substantiation of the suggested offering price of the shares of stock.
5. Where the resolution supporting the offering of additional shares of stock and/or securities convertible into shares of stock is adopted by a general shareholders’ meeting, the list of persons entitled to the pre-emptive right of acquisition of additional shares of stock and securities convertible into shares of stock is compiled based on the data in the corporate register as of the date of compiling the list of persons entitled to take part in such general shareholders’ meeting. In all the other instances, the list of persons entitled to the pre-emptive right of acquisition of additional shares of stock and securities convertible into shares of stock is compiled based on data in the corporate register as of the date of adopting a resolution approving the offering of additional shares of stock and securities convertible into shares of stock. For purposes of compiling the list of persons entitled to the pre-emptive right of acquisition of additional shares of stock and securities convertible into shares of stock, a nominal shareholder provides the registrar or the company (depending on who maintains the corporate register) with data about persons, for whom s/he/it holds shares of stock.

Article 60. Exercising a Pre-emptive Right of Acquisition of Shares of Stock and Securities Convertible into Shares of Stock

1. Persons having a pre-emptive right of acquisition additional shares of stock and securities, convertible into shares of stock, must be notified of the opportunity to exercise the pre-emptive right of acquisition the shares of stock or of securities convertible into shares of stock, as provided for in Article 59 of the present Law, pursuant to the procedure as envisaged by the present Law for convening a general shareholders’ meeting.

Such notice must contain information about the number of offered shares of stock and securities convertible into shares of stock, the offering price of such shares of stock or of such securities, the procedure for calculating such price (including about the offering price and the procedure for calculating such price where exercising the pre-emptive right of acquisition), the procedure for calculating the number of securities that may be acquired by any person having such a pre-emptive right of acquisition such securities, the procedure by which such individuals submit an application to the company for the acquisition of shares of stock and securities convertible into shares of stock, and the period within which such applications must be accepted by the company (hereinafter “the pre-emptive right term”).

2. The term of the pre-emptive right may not be less than 45 days after publication of the appropriate notice. A different period for exercising the aforementioned right may be set by legislation.
Where the procedure for calculating the offering price is established by the resolution authorizing the issue of additional shares of stock and securities convertible into shares of stock, and pursuant to such procedure the offering price is to be determined after the expiration of the pre-emptive right term, such term must not be less than twenty days after the appropriate notice has been duly published. In such instance, the notice must contain information about the period, within which the securities are to be paid up, and such period may not be less than five business days after the disclosure of information related to the offering price.

3. A person having a pre-emptive right of acquisition additional shares of stock, and securities convertible into shares of stock, is entitled to exercise her/his/its pre-emptive right in whole or in part by submitting a written application to a company for the acquisition of the appropriate shares of stock and securities convertible into shares of stock. Such application must contain the applicant’s name and indicate her/his/its place of residence (registered address) and the number of securities being acquired by such person.

An application for the acquisition of shares of stock and securities convertible into shares of stock must be submitted along with a document evidencing payment for such shares of stock and securities with the exception of the instances indicated in Paragraph 2 Clause 2 of the present Article.

Where the resolution, which is the basis for the issue of additional shares of stock and securities convertible into shares of stock, requires that payment therefor be made in kind, the persons exercising the pre-emptive right of acquisition of such securities are entitled make payment therefor in cash at their own discretion.

4. Until the expiration of the term of the pre-emptive right, a company is not entitled to offer additional shares of stock and securities convertible into shares of stock to persons not having a pre-emptive right of acquisition thereof.

5. The pre-emptive right of acquisition of shares of stock and securities is an integral part of the totality of the rights of a shareholder related to her/his/its shares of stock, and it may not be alienated as an independent legal power separated from the other legal powers based on holding shares of stock. However, where a pre-emptive right of acquisition has arisen with respect to a specific issue of shares of stock, a shareholder is entitled to freely alienate the pre-emptive right of acquisition, including to alienate it to the benefit of other of the company’s shareholders or any other third party unless otherwise provided by the articles of association.
of the company upon the arising of such pre-emptive right of acquisition on the basis of a resolution on the issue of additional shares of stock.

Article 61. Increasing the Charter Capital of a Company for a Subsequent Offer at Set Price (Conditional Increase of Charter Capital)

1. The general shareholders’ meeting of a company may adopt a resolution to increase the amount of the charter capital solely for the purpose of using a right of exchange or exercising a pre-emptive right of acquisition granted by the company with respect to new shares of stock (shares of stock with a pre-emptive right of acquisition; conditional increase of charter capital).

2. A resolution to conditionally increase the charter capital may be adopted solely for the following purposes:
   1) to grant the company’s creditors a right of exchange or a pre-emptive right of acquisition with respect to convertible bonds or other securities;
   2) to prepare for a merger of the company with other legal persons;
   3) to grant the employees and/or members of the bodies of the company or its affiliated persons a pre-emptive right of acquisition of shares of stock pursuant to an appropriate resolution of a general shareholders’ meeting approving the activities or delegating powers to the bodies of the company.

3. The number of shares of stock for which the charter capital may be conditionally increased may not exceed 50% of the issued shares of stock of a company, whereas the nominal amount of such conditional increase of the charter capital, about which a resolution has been adopted pursuant to Subparagraph 3 Clause 2, must not exceed 10% of the charter capital formed as of the moment of adoption of the resolution on such increase.

Article 62. Requirements Related to a Resolution on a Conditional Increase of Charter Capital

1. A resolution on a conditional increase of the amount of the charter capital of a company must be adopted by a majority of votes constituting not less than 75% of the total number of votes exercisable by the shareholders’ participating in such general shareholders’ meeting. The articles of association of the company may provide that a greater number of voting shares is required for a qualified majority or other requirements.

2. A resolution on such conditional increase of the charter capital must specify the following:
   1) the purpose of conditional increase of the charter capital;
2) a list of persons having a pre-emptive right of acquisition of shares of stock;
3) the offering price of shares of stock and the calculation principles thereof;
4) apportionment of the pre-emptive right of acquisition amongst the members of the bodies of the company and the company’s employees, the time periods for acquiring and exercising such rights, as well as the waiting period prior to the first exercise of such rights, which [period] may not be less than two years where the resolution is adopted for the purposes set forth in Subparagraph 3, Clause 2, of Article 61.
3. Information about the resolution on such conditional increase of the charter capital is reflected in the corporate register by the executive body (sole executive body) of the company.
4. The right of acquisition of the shares of stock of a company at the time of increasing the charter capital is exercised by the submittal of an appropriate application in writing by a person entitled in such instance to the pre-emptive right of acquisition of shares of stock (application for acquisition). The application for acquisition indicates the number, and, when involving par value shares of stock, the par value of shares of stock, as well as the class of the shares of stock, details of the applicant and the date of submittal of the application for acquisition where several classes of shares of stock are being issued.
5. Shares of stock of a company, issued within the framework of conditional increase of the amount of charter capital, may be offered solely for the purposes indicated in the resolution of the company on conditionally increasing the charter capital, and only after said shares of stock have been paid up in full pursuant to such resolution.
6. Shares of stock of a company issued within the framework of conditional increase of the charter capital may be offered in exchange for the company’s convertible bonds only where the overall amount for the issued bonds is equal to the total minimum offering price of such shares of stock or exceeds such minimum price.

Article 63. Share Offering Price
1. In the event of issuing par value shares of stock, the offering price of shares of stock may not be less than par value with the exception of the instances described by the present Law. Where the offering price turns out to be higher than the par value of the share, the shareholder’s investment is the par value of the share, whereas the remainder of the
amount is regarded as a share premium reflected on a company’s balance sheet as additional capital.

2. In the event of issuing shares of stock without par value, the offering price of shares of stock may not be less than the proportional par value of such share of stock. The proportional par value is calculated by dividing the charter capital due for payment (the amount of the planned increase of the charter capital that is supposed to be achieved through the issue of no-par-value shares of stock) by the number of no-par-value shares of stock being issued.

Article 64. Decreasing the Amount of the Charter Capital of a Company

1. In the instances as envisaged by the present Law, a company is entitled to reduce the amount of its charter capital.

The amount of the charter capital of a company may be reduced by lowering the par value of shares of stock or by reducing the number of shares of stock, including via the company’s redemption of a portion of its shares of stock offered earlier.

A resolution to reduce the amount of the charter capital of a company and information on affecting such a reduction must be published as required pursuant to the present Law and recorded in the corporate register and in the state register.

2. A general shareholders’ meeting of a company adopts a resolution concerning a reduction of the charter capital by way of lowering the par value of shares of stock or by way of redeeming a portion of the shares of stock of the company to reduce the total number thereof.

3. A resolution on reducing the amount of the charter capital of a company by way of lowering the par value of shares of stock may provide that the company pays out money to all of its shareholders. In such cases, the appropriate resolution must indicate the following:

1) how much the amount of the charter capital of a company is being reduced;

2) the classes (types) of shares of stock, for which the par value is being reduced and the amount by which the par value of each share of stock has been reduced;

3) the par value of each class (type) of share of stock after the reduction;

4) the amount to be paid to the shareholders of the company in reducing the par value of each share of stock.

4. A resolution on reducing the amount of the charter capital of a company through reducing the par value of the shares of stock of the company must be adopted by a majority of votes constituting not less than 75% of the total number of votes exercisable by the shareholders
participating in such general shareholders' meeting. Such resolution may be adopted only where proposed by the company's board of directors (supervisory board).

5. The list of persons entitled to receive money and/or securities from a company following a resolution to reduce the charter capital of a company, in the form of reducing the par value of its shares of stock, is compiled as of the date of the state registration of changes and amendments to the articles of association of the company related to the reduction of the amount of its charter capital. For the purpose of compiling the aforementioned list of persons, a nominal shareholder is required to provide the registrar and/or the company with data about the persons for whom s/he/it holds shares of stock.

6. A company is not entitled to adopt a resolution on reducing the charter capital in the following cases:
   1) prior to payment of the charter capital in full;
   2) prior to the redemption by the company of all the shares of stock to be redeemed pursuant to Article 46 of the present Law;
   3) where, as of the date such resolution is adopted, the company meets the indicia of insolvency (bankruptcy) as set forth in bankruptcy legislation, or where such indicia appear as a result of payments and/or provision of other corporate securities to shareholders pursuant to the provisions set forth in Clause 3 of the present Article;
   4) where, as of the day of the adoption of such resolution, the value of the company's net assets constitutes less than the aggregate amount of its charter capital and of its reserve fund and the positive difference between the liquidation value of its issued preferred shares of stock, as determined by the articles of association of the company, and the nominal value thereof, or where—as a result of payment to shareholders and/or transfer to them of other securities of the company pursuant to the provisions of the present Article—the value of the company's net assets falls below the aggregate amount of its charter capital and of its reserve fund and the positive difference between the liquidation value of its issued preferred shares of stock, as determined by the articles of association of the company, and the nominal value thereof;
   5) prior to distribution of the announced but unpaid dividends in full, including unpaid dividends accrued on cumulative preferred shares of stock;
   6) in other instances set forth in legislative acts.

7. In the instances enumerated in Clause 6 of the present Article, a company's board of directors (supervisory board) and/or the executive body may not, in any way, compensate the shareholders or, in any
other way, distribute any funds amongst them due to a reduction in the company’s charter capital following a resolution to reduce the company’s charter capital so long as the circumstances enumerated in Clause 6 of the present Article continue.

Article 65. Reducing the Amount of the Charter Capital below the Minimum Amount of Charter Capital

1. The charter capital of a company may be reduced in such a way that it would constitute less than the minimum lawfully established amount of charter capital where the amount of the charter capital will reach such lawfully established minimum by way of an increase in the amount of the charter capital of the company following a resolution adopted simultaneously with the resolution on reducing the amount of the charter capital of the company, which does not require any property investments by the shareholders. The resolutions on changing the amount of the charter capital, as envisaged in this Clause, must be registered in the state register at the same time only.

2. The resolutions mentioned in Clause 1 of the present Article are void ab initio where such resolutions and the appropriate increase in the amount of the charter capital of a company are not registered in the corporate register and in the state register within six months after the appropriate resolution has been adopted. Said term is suspended during the period of appealing the appropriate resolutions of the company as void ab initio in a court, as well as during the period of registering the appropriate change in the amount of the charter capital of company with the state.

Article 66. Securing the Rights of Creditors of a Company

1. The payment of dividends pursuant to the results of a fiscal year, or any other reporting period established by a law and/or by the articles of association of a company, may be paid out no earlier than two years after an appropriate resolution on reducing the amount of the charter capital of a company has been adopted. This rule is not valid where the claims of creditors that have arisen prior to publishing information about the performed reduction of the amount of the charter capital of the company have been satisfied, or where the company has provided security to its creditors for the satisfaction of such claims. Such satisfaction or security for satisfaction of the claims of its creditors may be provided to creditors by the company where they have duly notified the company about themselves for this purpose within six months after the aforementioned publication, upon condition however that such creditors are entitled to demand provision to them of said security if they are unable to demand satisfaction of their claims from the company. Creditors must be notified
of such right by publishing information about the performed reduction of the charter capital of the company.

Creditors having a priority right with respect to the satisfaction of their claims in the event of bankruptcy proceedings by enforcement of a security interest, created pursuant to a law for their protection and controlled by the state, are not entitled to demand that a company provide them security for satisfaction of claims of creditors on the basis of this clause of the present Article.

2. As stipulated in the present Article, payments to shareholders in the event of a reduction of the amount of the charter capital of a company are permitted only six months after the information about the performed reduction of the amount of the charter capital has been published and after the claims of the creditors, who have duly notified the company about themselves, have been satisfied or appropriate security for satisfaction of such claims has been provided to them. After the aforementioned instances, the shareholders can also be relieved of liability for investing in the charter capital of a company but not before the claims of such creditors, who have notified the company about themselves, have been satisfied or have been provided appropriate security for satisfaction of their claims.

Article 67. Simplified Procedure to Cover Losses of a Company

1. A simplified procedure may be employed for reducing the amount of the charter capital of a company to compensate for a reduction in the value of the company’s assets, to cover other losses and allocate certain sums to the reserve fund. In the resolution on capital reduction, it must be indicated that the reduction is for said purposes.

2. In this instance, the requirements of Articles of 64 and 65 on ordinary capital reduction are complied with regardless of the circumstances of an ordinary reduction in the amount of [the charter] capital. The provisions of Article 66 are not to be applied in this instance.

3. The amount obtained as a result of liquidation (reduction in the amount) of the reserve fund or the savings obtained from profits or from a reduction in the amount of the charter capital may not be employed for making payments to shareholders or relieving the shareholders from their obligations to make investments to the charter capital of the company.

Article 68. Reducing the Amount of the Charter Capital of a Company by way of Share Acquisition

1. A company is entitled to acquire issued shares of stock under a resolution of a general shareholders’ meeting to reduce amount of the charter capital of the company by purchasing part of the issued shares of
stock to reduce total number thereof where provided for by the articles of association of the company.

2. A company is not entitled to adopt a resolution on a reduction in the charter capital of the company by purchasing part of the issued shares of stock to reduce total number thereof where the amount of the charter capital of the company is lower than the amount of the minimum charter capital set by the present Law except where provided for by the present Law.

3. The shares of stock purchased by a company on the basis of a resolution to reduce the amount of the charter capital of the company by purchasing shares of stock to reduce the total number thereof are revoked when they have been acquired by the company.

4. A resolution on share acquisition must determine the categories (types) of the issued shares of stock, the number of shares of stock of each category (type) acquired by the company, the acquisition price, and the method and term of acquisition price payment, as well as the period during which the shares of stock are being acquired.

Unless otherwise provided for by the articles of association of a company, payment for shares of stock is made in cash. The minimum share acquisition period may not be less than thirty days.

Each holder of shares of stock of certain categories (types), a resolution for the acquisition of which has been adopted by a company, is entitled to sell said shares of stock and the company is required to purchase them. Where the total amount of applications received, for the purchase of shares of stock by the company, exceeds the amount of the shares of stock, which may be purchased by the company taking into account the limitations imposed by the present Article, the shares of stock are purchased by the company from the shareholders proportionally to the demands which they have made.

5. Not less than thirty days prior to commencement of the period during which the shares of stock are being purchased, the company is required to notify the shareholders-holders of shares of stock of the appropriate categories (types), a resolution for the purchase of which has been adopted. The notification must contain the date specified in Paragraph one, Clause 4 of the present Article.

Article 69. The Consequences of a Reduction in the Value of the Assets of a Company below the Amount of the Charter Capital

1. Where, based on the results of the fiscal year, the net-asset value based on the given annual balance of a company is lower than the amount of the charter capital of the company, the general shareholders’ meeting is required to adopt a resolution to:
1) reduce the amount of the charter capital; and/or
2) increase the net-asset value by having the company’s shareholders make additional investments pursuant to the procedure provided for by the articles of association of the company; or
3) liquidate the company.

2. Where, based on the results of the fiscal year, the net-asset value based on the annual balance of a company falls below the minimum amount of the charter capital stipulated by a law, the general shareholders’ meeting is required to adopt a resolution to:
1) increase the net-asset value having the company’s shareholders make additional investments pursuant to the procedure provided for by the articles of association of the company; or
2) liquidate the company.

3. Failure to comply with the requirements of Clause 2 serves as a basis for liquidating a company or initiating rehabilitation of the company pursuant to a court judgment. Any shareholder of the company, as well as an authorized agency, is entitled to file a motion with a court for the company’s liquidation or rehabilitation.

Article 70. Bonds and Other Securities Convertible into Shares of Stock

1. The issue and offer of bonds convertible into shares of stock, or of any other securities convertible into shares of stock, must be made pursuant to a resolution of a general shareholders’ meeting.

2. The articles of association of a company, or the resolution adopted by a general shareholders’ meeting, may provide for a right of the board of directors to adopt a resolution authorizing the company to issue and offer bonds convertible into shares of stock or any other securities convertible into shares of stock. Such right is effective for five years.

3. A company may not issue bonds, or any other securities convertible into the shares of stock of the company unless the number of the company’s authorized shares of stock of certain categories and types is less than the number of shares of stock of such classes and types with respect to which the buyer has the right to convert her/his/its bonds or any other securities convertible into the shares of stock of the company.

4. Shareholders have a pre-emptive right of acquisition of such securities pursuant to Articles 59-60 of the present Law.

Article 71. Reserve Fund

1. A company establishes a reserve fund the amount of which must be set forth in the articles of association of the company and may not be less than 15% of the amount of the charter capital of the company. The
reserve fund must be established within [________] as of the date of the formation of the company.

2. The reserve fund is formed by annual deductions from a company’s net profits to maintain the amount set forth in the articles of association of the company. The amount of deductions is determined by a general shareholders’ meeting and must not be less than 5% of the company’s net profit.

3. A company’s reserve fund is designated to cover its losses, repay the company’s bonds and redeem its shares of stock when no other funds are available. The reserve fund may not be used for any other purposes.

4. The articles of association of a company may provide for a special employee share ownership fund established from the company’s net profit. This fund is paid down exclusively to pay for shares of stock of the company acquired from its shareholders for subsequent placement of such shares of stock amongst the company’s employees.

Version B. Company with Declared Number of Shares of Stock Specified in the Articles of Association of a Company

CHAPTER VI. THE START-UP AND STATED CAPITAL OF A COMPANY

Article 52. The Start-up Capital, Shares of Stock Declared for Placement

1. The amount of the start-up capital and the number of the shares of stock declared for placement are set forth in the articles of association of a company. However, the amount of the start-up capital may not be less than the minimum amount of charter capital stipulated by the present Law.

2. Where shares of stock have par value, the amount of the start-up capital is equal to the total amount of the par value of the shares of stock issued amongst the company’s founders. Where shares of stock do not have par value, the amount of the company’s start-up capital is equal to the total amount obtained by the company after placement of the shares of stock amongst the company’s investors.

3. The number of shares of stock declared for placement, as well as the timeframe during which such shares of stock must be placed, is specified in the articles of association of a company.

4. The amount of the start-up capital and declared capital paid by the shareholders is reflected in a company’s balance sheet pursuant to the requirements of a law.
Article 53. Start-up Capital

The start-up capital, not lower than the amount of a company's minimum charter capital stipulated by a law, must be paid up in full by the founders within a thirty-day period starting from the day of the state registration of the company as a legal person.

Article 54. Increasing the Amount of the Charter Capital of a Company through an Additional Share Issue

1. A resolution to increase the amount of the charter capital of a company through an additional share issue within the limits set forth in the articles of association of the company is adopted by a general shareholders' meeting (board of directors) of the company.

2. A resolution to increase the amount of the charter capital of a company through an additional share issue must indicate the number of common and (preferred) additional shares of stock issued in each category and/or type, the method of issue, the subscription price for additional shares of stock, or the procedure for calculating such price, including the minimum issue price or the procedure for calculating such price for an issue of additional shares of stock to persons exercising a pre-emptive right of acquisition of such issued shares of stock, the method of payment for the additional shares of stock subscribed, and other terms and conditions of the issue.

3. A company is not entitled to issue an order to record such shares of stock in the name of their buyer in the corporate register (the accounting system of a nominal holder) until the shares of stock being offered have been paid up in full.

Article 55. Increasing the Amount of the Charter Capital of a Company by Transformation of Reserve Fund and Capitalization of Retained Profits

1. A general shareholders' meeting may adopt a resolution to increase the amount of the charter capital of a company by transforming the reserve fund (the funds of the reserve capital fund) or by transferring the retained profits to the charter capital.

2. The reserve fund and the retained profits may not be transformed to the charter capital where the annual balance of the company shows losses.

3. Where shares of stock have par value, upon an increase in the amount of the charter capital of a company, pursuant to the present Article, their par value is proportionately increased or new shares of stock are issued.
4. Corporate officers bear liability for ensuring that the shareholders, and their rights to shares of stock of the company acquired through an increase in the amount of the charter capital of the company, pursuant to the provisions of the present Article, are recorded in the corporate register. The rights of shareholders arise upon registration of rights to shares of stock unless otherwise provided by the appropriate resolution adopted by a general shareholders’ meeting of the company.

Article 56. Report on Placement Results of Shares of Stock of a Company

1. A company is required to submit reports on placement results of its shares of stock every six months (within a one-month period after expiration of the six-month reporting period) to the authorized agency until the placement in full of the company’s declared shares of stock and after their placement in full.

2. The content and the submission procedure of the report on placement results of the shares of stock, as well as the procedure for considering and approving this report, is established by the competent authority.

Article 57. Pre-emptive Right of Acquisition of Shares of Stock of a Company

1. Upon its demand, each shareholder must be allocated a block of issued shares of stock so as to enable said shareholder to acquire the same in proportion to her/his/its equity stakes in the capital of a company. A period of not less than two weeks is established for the exercise of a pre-emptive right of acquisition.

2. The executive corporate body is responsible for publishing, in a periodical used for the company’s publications, the price of the offered shares of stock as well as the time period for exercising a pre-emptive right of acquisition of shareholders of the company for acquiring shares of stock.

3. A pre-emptive right of acquisition of shares of stock may be revoked in whole or in part only pursuant to a resolution of a general shareholders’ meeting of a company on increasing the amount of the charter capital thereof. In this event, the resolution, along with the requirements on increasing the amount of the charter capital set forth in a law and/or in the articles of association of the company, must be adopted by a majority of shareholders’ votes at the time of resolution-making which constitute not less than 75% of the total number of the company’s voting shares of stock. The articles of association of the company may provide for a higher number of votes for a qualified majority as well as for other requirements.

4. A resolution revoking a pre-emptive right of acquisition of shares of stock in whole or in part is lawful only where the resolution about such revocation is clearly and duly adopted and published. The management
committee (board of directors) must provide the general shareholders’
meeting with a written substantiation of the reasons for revocation in
whole or in part of a pre-emptive right of acquisition of shares of stock.
This substantiation also must contain an elaboration of the suggested
offering price of the shares of stock.

5. If a resolution, which is the basis for the offer of additional shares
of stock and securities convertible into shares of stock, is adopted by a
general shareholders’ meeting of a company, the list of persons having a
pre-emptive right of acquisition of additional shares of stock and securities
convertible into shares of stock is compiled on the basis of data contained
in the corporate register as of the date of compiling the list of persons
having a right to take part in such general shareholders’ meeting. In all the
other instances, the list of persons having a pre-emptive right of acquisi-
tion of additional shares of stock and securities convertible into shares of
stock is compiled on the basis of data contained in the corporate register
as of the date of adopting the resolution which is the basis for the offer of
additional shares of stock and securities convertible into shares of stock.
For the purpose of compiling the list of persons having a pre-emptive right
of acquisition of additional shares of stock and securities convertible into
shares of stock, a nominal shareholder must provide the registrar or the
company (depending on who maintains the corporate register) with data
about persons, for whom s/he/it holds shares of stock.

Article 58. Exercising the Pre-emptive Right of Acquisition of Shares of Stock
and Securities Convertible into Shares of Stock

1. Persons having a pre-emptive right of acquisition of additional
shares of stock or of securities, convertible into shares of stock, must be
notified of the opportunity to exercise the pre-emptive right of acquisi-
tion of the shares of stock or of securities convertible into shares of stock,
pursuant to the procedure as envisaged by the present Law for convening
a general shareholders’ meeting.

Such notice must contain information about the number of offered
shares of stock or of securities convertible into shares of stock, the of-
ferring price of such shares of stock or of securities, the procedure for
calculating the number of securities that may be acquired by any person
having a pre-emptive right of acquisition of such securities, the procedure
by which such individuals must submit an application to the company for
the acquisition of shares of stock or of securities convertible into shares
of stock, and the period within which such applications must be accepted
by the company.

2. A person having a pre-emptive right of acquisition of shares of
stock or of securities convertible into shares of stock, is entitled to exer-
cise her/his/its pre-emptive right in whole or in part by submitting to the company a written application for the acquisition of shares of stock or of securities convertible into shares of stock. Such application must contain the applicant's name, and indicate her/his/its place of residence (registered address) and the number of securities being acquired by such person.

An application for the acquisition of shares of stock or of securities convertible into shares of stock must be submitted along with a document certifying payment thereof.

Where the resolution, which is the basis for the issue of additional shares of stock or of securities convertible into shares of stock, requires that payment therefor be made in kind, the persons exercising the pre-emptive right of acquisition of such [shares of stock or] securities are entitled to make payment therefor in cash at their own discretion.

3. Until the expiration of the term of the pre-emptive right, a company is not entitled to offer additional shares of stock and securities convertible into shares of stock to persons not having a pre-emptive right of acquisition thereof.

4. The pre-emptive right of acquisition of shares of stock and securities is an integral part of the totality of the rights of a shareholder related to her/his/its shares of stock, and it may not be alienated as an independent legal power separated from the other legal powers based on holding shares of stock. However, where a pre-emptive right of acquisition has arisen with respect to a specific issue of shares of stock, a shareholder is entitled to freely alienate the pre-emptive right of acquisition, including to alienate it to the benefit of other company's shareholders or to any other third party, unless otherwise provided by the articles of association of the company, from the moment that such pre-emptive right of acquisition arises on the basis of a resolution to issue additional shares of stock.

Article 59. Conditional Increase in the Amount of the Charter Capital of a Company

1. A general shareholders' meeting of a company may adopt a resolution to increase the amount of the capital of a company solely for the purpose of exercising the right of exchange or a pre-emptive right of acquisition granted by the company with respect to new shares of stock (shares of stock with a pre-emptive right of acquisition; a conditional increase of charter capital).

2. A resolution to conditionally increase the charter capital is adopted only for the following purposes:

1) to grant the company's creditors a right of exchange or a pre-emptive of acquisition with respect to convertible bonds or other securities convertible into shares of stock;
2) to prepare for a merger of several companies;
3) to grant the employees and/or corporate officers or its affiliated person a pre-emptive right of acquisition of shares of stock pursuant to an appropriate resolution.

3. The total amount of issued shares of stock of a company for the purposes indicated Subparagraphs 1 and 2, Clause 2, of the present Article may not exceed 50% of the total number of offered shares of stock of the company, while for the purposes indicated in Subparagraph 3, Clause 2, may not exceed 10% total number of offered shares of stock of the company at the time of the adoption of the resolution on such increase.

Article 60. Requirements Related to a Resolution on the Conditional Increase the Amount of the Charter Capital of a Company

1. A resolution on a conditional increase of amount of the capital of a company must be adopted by a majority of votes constituting not less than 75% of the total number of votes exercisable by the shareholders participating in such general shareholders’ meeting. The articles of association of the company may provide that a higher number of votes is required for a qualified majority or for other requirements.

2. The resolution must set forth the following:
   1) the purpose of the conditional increase in the amount of the charter capital;
   2) a list of persons who, within the limits of the appropriate resolution on the conditional increase in the amount of the charter capital of the company, have a pre-emptive right of acquisition;
   3) the offering price of shares of stock;
   4) the apportionment of the pre-emptive right of acquisition amongst the members of the bodies of the company and the company’s employees, the timeframes for acquiring and exercising such rights, as well as the waiting period prior to the exercise of such rights, which period may not being less than two years from the moment of adopting the appropriate resolution on capital increase where the resolution is adopted pursuant to in Subparagraph 3, Clause 2, of Article 59 of this Law.

3. The executive corporate body is responsible for notifying the registrar and for entering the information on the resolution regarding such conditional increase of the amount of the charter capital in the corporate register.

4. The right of acquisition of shares of stock of a company pursuant to the provisions of the present Article is exercised by way of submitting a written application (acquisition application). The acquisition application indicates the number of shares being acquired, and, if several classes of shares of stock are being issued, the class of shares of stock, the property
investment, and the date of adopting the resolution on the conditional increase of the capital.

5. An acquisition application for shares of stock pursuant to the provisions of the present Article has the same effect as an application for subscription.

6. A company is entitled to issue shares of stock with a pre-emptive right of acquisition only for achieving the purposes set forth in the resolution on a conditional increase in charter capital, and only after said shares of stock have been paid up in full pursuant to the resolution on a conditional increase in the amount of the charter capital of the company.

7. A company is entitled to issue shares of stock in exchange for the company's convertible bonds only where the difference between the amount of the issued bonds destined for exchange and the higher minimum offering price of such shares of stock, with a pre-emptive right of acquisition, is secured by other assets of the company where these assets may be used for said purpose or on account of additional payment by the person entitled to the exchange. This rule is not applied where the total issue price of the bonds has reached the minimum offering price of shares of stock with a pre-emptive right of acquisition or exceeds it.

Article 61. Reducing the Amount of Charter Capital of a Company

1. In the instances as envisaged by the present Law, a company is required to reduce the amount of its charter capital.

The amount of the charter capital of a company must be reduced by lowering the par value of shares of stock or by lowering the number of shares of stock, including by way of the company's redeeming part of its shares of stock offered earlier.

A resolution on reducing the amount of the charter capital of a company and the information on performing such reduction must be published pursuant to requirements of the present Law and recorded in the corporate register and in the state register.

2. A resolution on reducing the amount of the charter capital of a company by way of lowering the par value of shares of stock or by way of redeeming part of the shares of stock of the company, to reduce the total number thereof, is adopted by a general shareholders' meeting of the company.

3. The resolution on reducing the amount of the charter capital of a company by way of lowering the par value of shares of stock may provide that the company pays out money to all of its shareholders. However, the appropriate resolution must indicate the following:

1) how much the amount of the charter capital of the company is being reduced;
2) the classes (types) of shares of stock, for which the par value is being reduced, and amount by which the par value of each share is reduced;
3) the par value of each class (type) of share after the reduction;
4) the amount to be paid to the company’s shareholders in reducing the par value of each share of stock.

4. A resolution on reducing the amount of the charter capital of a company by way of lowering the par value of the shares of stock of the company must be adopted by a majority of votes constituting not less than 75% of the total number of votes exercisable by the shareholders taking part in such general shareholders’ meeting. Such resolution may be adopted only where proposed by the company’s board of directors (supervisory board).

5. The list of persons having a right to receive money and/or securities from a company following a resolution to reduce the charter capital of the company in the form of lowering the par value of its shares of stock, is compiled as of the date of the state registration of changes and amendments and changes to the articles of association of the company arising from the appropriate reduction in the amount of its charter capital. For the purpose of compiling the aforementioned list of persons, a nominal shareholder is obliged to provide the registrar and/or the company with data about the persons, for whom s/he/it holds shares of stock.

6. A company is not entitled to adopt a resolution for reducing the amount of the charter capital in the following cases:
1) prior to full payment of charter capital of the company;
2) prior to the company’s redemption of all the shares of stock to be redeemed pursuant to Article 46 of the present Law;
3) where, as of the date such resolution is adopted, the company meets the indicia of insolvency (bankruptcy), as set forth in insolvency (bankruptcy) legislation, or if such indicia appear as a result of payment and/or provision of other corporate securities to shareholders pursuant to the provisions set forth in Clause 3 of the present Article;
4) where, as of the day of the adoption of such resolution, the value of the company’s net assets constitutes less than the aggregate amount of its charter capital and of its reserve fund and the positive difference between the liquidation value of its issued preferred shares of stock, as determined by the articles of association of the company, and the nominal value thereof, or where—as a result of payment to shareholders and/or transfer to them of other securities of the company pursuant to the provisions of the present Article—the value of the company’s net assets falls below the aggregate amount of its charter capital and of its reserve fund and the positive difference between the liquidation value of its issued...
preferred shares of stock, as determined by the articles of association of the company, and the nominal value thereof;

5) prior to distribution in full of announced but unpaid dividends, including unpaid dividends accrued on cumulative preferred shares of stock;

6) in other instances set forth in legislative acts.

7. In instances enumerated in Clause 6 of the present Article, a company’s board of directors (supervisory board) and/or executive body may not, in any way, compensate the shareholders or distribute any funds amongst them due to a reduction in the amount of the charter capital of the company pursuant to a resolution to reduce the amount of the charter capital of the company as long as the circumstances enumerated in Clause 6 of the present Article continue.

**Article 62. Reducing the Amount of Capital below the Minimum Level of Charter Capital**

1. The capital of a company may be reduced in such a way that it would constitute less than the minimum lawfully established amount of charter capital, where the amount of the capital will reach such lawfully established minimum in the form of increasing the amount of the capital of the company following a resolution adopted simultaneously with a resolution on reducing the charter capital of the company, which does not require any property investments by the shareholders. The resolutions on changing the capital, as envisaged in this Clause, must be registered in the state register at the same time only.

2. The resolutions mentioned in Clause 1 of the present Article are void ab initio where such resolutions and the appropriate increase in the amount of the charter capital of a company are not registered in the corporate register and in the state register within six months after the appropriate resolution has been adopted. Said term is suspended during the period of appealing the appropriate resolutions of the company as void ab initio in a court, as well as during the period of registering the appropriate change in the amount of the charter capital of the company with the state.

**Article 63. Securing Rights of Creditors of a Company**

1. The payment of dividends pursuant to the results of a fiscal year, or any other reporting period lawfully established and/or by articles of association of a company, is permitted no earlier than two years after adoption of the appropriate resolution on reducing the amount of the charter capital of the company. This rule is not valid where the claims of creditors that have arisen prior to publishing the information about the performed reduction of the amount of the charter capital of the company
have been satisfied, or where the company has provided its creditors security for satisfaction of such claims. Such satisfaction or security for satisfaction of claims of its creditors may be provided to the creditors by the company where they have duly notified the company about themselves for this purpose within six months after the aforementioned publication, upon condition however that such creditors are entitled to demand provision to them of said security if they are unable to demand satisfaction of their claims from the company. Creditors must be notified of such right by publishing information about the performed reduction in the amount of the charter capital of the company.

Creditors having a priority right with respect to satisfaction of their claims in the event of bankruptcy proceedings by enforcement of a security interest created pursuant to a law for their protection and controlled by the state, are not entitled to demand that a company provide them security for satisfaction of claims of creditors on the basis of this clause of the present Article.

2. As stipulated in the present Article, payments to shareholders in the event of a reduction of the capital of a company are permitted only six months after the information about the performed reduction of the capital has been published and after the claims of the creditors, who have duly notified the company about themselves, have been satisfied or appropriate security of performance of such claims has been provided to them. Thereafter, the shareholders can also be relieved of the liability for investing in the charter capital of the company but not before the claims of such creditors, who have notified the company about themselves, have been satisfied or have been provided appropriate security for satisfaction of their claims to the company.

Article 64. Simplified Procedure to Cover Losses of a Company

1. A simplified procedure may be employed for reducing the amount of the charter capital of a company to compensate for a reduction in the value of the company's assets, to cover other losses and to allocate certain sums to the reserve fund. In the resolution on capital reduction, it must be indicated that the reduction is for said purposes.

2. In this instance, the requirements of Articles of 61 and 62 on ordinary capital reduction are complied with regardless of circumstances of an ordinary reduction on the amount of charter capital. The provisions of Article 63 are not to be applied in this instance.

3. The amount obtained as a result of liquidation (reduction in the amount) of the reserve fund or savings obtained from profits or from a reduction in the amount of the charter capital may not be employed for
making payments to shareholders or for relieving shareholders from their obligations to make investments in the charter capital of the company.

Article 65. Reducing the Capital of a Company by way of Share Acquisition

1. A company is entitled to acquire issued shares of stock under a resolution of a general shareholders' meeting to reduce amount of the capital of a company by purchasing part of the issued shares of stock to reduce total number thereof where provided for by the articles of association of the company.

2. A company is not entitled to adopt a resolution on reducing the amount of the capital of the company by purchasing part of the issued shares of stock to reduce total number thereof where the amount of the capital of the company is lower than the minimum amount of the charter capital set by the present Law except where provided for by a law.

3. The shares of stock purchased by a company on the basis of a resolution to reduce the amount of the capital of the company by purchasing shares of stock to reduce the total number thereof are revoked when they have been acquired by the company.

4. A resolution on share acquisition must determine the categories (types) of the issued shares of stock, the number of shares of stock of each category (type) acquired by a company, the acquisition price, the method and term of acquisition price payment, as well as the period during which the shares of stock are being acquired.

   Unless otherwise provided for by the articles of association of a company, payment for the shares of stock is made in cash. The minimum share acquisition period may not be less than thirty days.

   Each holder of shares of stock of certain categories (types), a resolution for the acquisition of which has been adopted by a company, is entitled to sell said shares of stock and the company is required to purchase them. Where the total amount of applications received, for the purchase of shares of stock by the company, exceeds the amount of the shares of stock, which may be purchased by the company taking into account the limitations imposed by the present Article, the shares of stock are purchased by the company from the shareholders proportionally to the demands which they have made.

5. Not less than thirty days prior to commencement of the period during which the shares of stock are being purchased, a company is required to notify the shareholders-holders of shares of stock of the appropriate categories (types), a resolution for the purchase of which has been adopted. The notification must contain the date specified in Paragraph one, Clause 4, of the present Article.
Article 66. The Consequences of a Reduction in the Value of Assets of a Company below the Amount of the Capital

1. Where, based on the results of the fiscal year, the net-asset value based on said annual balance of a company is lower than the amount of the charter capital of the company, the general shareholders’ meeting is required to adopt a resolution to:
   1) reduce the amount of the charter capital value; and/or
   2) increase the net-asset value by having the company’s shareholders make additional investments pursuant to the procedure provided for by the articles of association of the company; or
   3) liquidate the company.

2. Where, based on the results of the fiscal year, the net-asset value based on the annual balance falls below the minimum amount of the charter capital stipulated by a law, the general shareholders’ meeting is required to adopt a resolution to:
   1) increase the net-asset value by having the company’s shareholders make additional investments pursuant to the procedure provided for by the articles of association of the company; or
   2) liquidate the company.

3. Failure to comply with the requirements of Clause 2 serves as a basis for liquidating a company or initiating rehabilitation of the company pursuant to the judgment of a court. Any shareholder of the company, as well as a competent agency, is entitled to file a motion in a court for the company’s liquidation or rehabilitation.

Article 67. Bonds and Other Securities Convertible into Shares of Stock

1. The issue and offer of bonds convertible into shares of stock, or of any other securities convertible into shares of stock, must be made pursuant to a resolution of the general meeting.

2. The articles of association, or a resolution adopted by a shareholders’ meeting, may provide for a right of the board of directors to adopt a resolution authorizing a company to issue and offer bonds convertible into shares of stock or any other securities convertible into shares of stock. Such right is effective for five years.

3. A company may not issue bonds, or any other securities convertible into the shares of stock of the company unless the number of the company’s authorized shares of stock of certain categories and types is less than the number of shares of stock of such classes and types with respect to which the buyer has the right to convert her/his/its bonds or any other securities convertible into the shares of stock of the company.
4. Shareholders have a pre-emptive right of acquisition of such securities pursuant to Articles 57-58 of the present Law.

**Article 68. Reserve Fund**

1. A company establishes a reserve fund the amount of which must be set forth in the articles of association of the company and may not be less than 15% of the amount of the charter capital of the company. The reserve fund must be established within [_________] of the date of formation of the company.

2. The reserve fund is formed by annual deductions from a company’s net profits to maintain the amount set forth in the articles of association of the company. The amount of deductions is determined by a general shareholders’ meeting and must not be less than 5% of the company’s net profit.

3. A company’s reserve fund is designated to cover its losses, repay the company’s bonds and redeem its shares of stock when no other funds are available. The reserve fund may not be used for any other purposes.

4. The articles of association of a company may provide for a special employee share ownership fund established from the company’s net profit. This fund is paid down exclusively to pay for the shares of stock of the company acquired from its shareholders for subsequent placement of such shares of stock amongst the company’s employees.

[Articles 69-71 are not numbered; if Option B is selected, the numbering of the subsequent articles must be changed appropriately.]

**CHAPTER VII. BODIES OF A COMPANY**

I. General

**Article 72. System of the Bodies of a Company**

1. Bodies of a company include either the general shareholders’ meeting and the board of directors (where a monistic management system has been chosen) or the general shareholders’ meeting, a supervisory board and a management committee (where a dualistic management system has been chosen).

2. A company may have either a dualistic management system (the supervisory board and the management committee) or a monistic management system (the board of directors). The founders select the company’s management system at the time of the founding the company; the articles of association of the company specify such management system.
The general shareholders' meeting may adopt a resolution to change the management system during the lifetime of the company.

3. The provisions of the present Law on the structure, name and competence of the bodies of a company are imperative norms; the articles of association of a company may not otherwise regulate their competence except for the instances as envisaged by the present Law.

4. For specific types of activities (banking, insurance, pension funds, etc.), legislative acts regulating such fields of activity may establish regulations requiring the management of such companies using the model of the dualistic system.

II. The General Shareholders’ Meeting

1. General

Article 73. Annual and Extraordinary General Shareholders’ Meetings

1. A general shareholders’ meeting is the highest corporate body the competence of which is determined pursuant to the present Law.

A company is required annually to hold an annual general shareholders’ meeting. Any other general shareholders’ meetings are extraordinary. The grounds and procedures for convening extraordinary general shareholders’ meetings are provided for by the present Law or by the articles of association of the company.

2. The annual general shareholders’ meeting is held within the time periods established by the articles of association of the company, however, no earlier than two months after the end of the fiscal year and no later than six months after the end thereof.

3. The general shareholders’ meeting approves a company's annual financial statements and establishes the procedures for distributing the company's net profits received during the past fiscal year and the amount of dividends.

4. The annual general shareholders’ meeting adopts a resolution approving the activities adopted by the management committee and the supervisory board (board of directors). The annual general shareholders’ meeting is entitled to address any other matters reserved to the competence of the general shareholders’ meeting.

5. Where all the voting shares of stock or where all the shares of stock of a company are held by a sole shareholder, resolutions concerning all matters reserved to competence of the general shareholders’ meeting by the present Law or by the articles of association of the company are adopted solely by such shareholder and are set down in writing and notarially authenticated.
6. Resolutions adopted by a general shareholders’ meeting on any matters reserved to it are binding both on the company’s shareholders’ and corporate officers.

**Article 74. Authority of a General Shareholders’ Meeting**

1. A general shareholders’ meeting adopts resolutions upon matters that are directly reserved to the competence of the general shareholders’ meeting pursuant to the present Law. The articles of association of a company may widen the competence of the general shareholders’ meeting to the extent permitted pursuant to the present Law.

2. The competence of the general shareholders’ meeting includes adopting resolutions on the following matters:

   1) amending the articles of association of the company or approving a new version of the articles of association of the company; changing the company’s governance model (from the dualistic system to the monistic one and vice versa);
   2) reorganizing the company;
   3) liquidating the company, appointing a liquidation committee, and approving an intermediate and the final liquidation balance sheets;
   4) determining how the company is to notify its shareholders of the general shareholders’ meeting and deciding upon publishing such information in mass media;
   5) specifying the number, par value, class (type) of shares of stock and rights attributable to such shares of stock;
   6) increasing the amount of the charter capital of the company by raising the par value of shares of stock or by issuing additional shares of stock unless the articles of association of the company reserve such increase in the charter capital of the company by issuing additional shares of stock to the competence of the company’s management committee (board of directors);
   7) reducing the amount of the charter capital of the company by lowering the par value of shares of stock or by way of purchasing some shares of stock by the company to reduce the total number thereof;
   8) electing the supervisory board (where there is a dualistic management system), board of directors (where there is a monistic management system) and prematurely terminating their powers; determining the number of members of the supervisory board (board of directors); determining the amount and conditions of compensation paid to the members of the supervisory board (board of directors), and, where established by the articles of association of the company, determining the amount and conditions of compensation paid to the management committee’s members;
9) approving the company’s accountant, selecting an auditing firm responsible for the company’s audit;
10) approving the company’s annual reports, annual accounting statements including profit-and-loss statements (profit-and-loss accounts) and distributing the company’s profit (including the approval of the amount and payment (declaration) of dividends save any profits distributed as dividends following the results of the first quarter, six months, nine months of the fiscal year) and losses pursuant to the results of the fiscal year;
11) determining the procedure for holding a general shareholders’ meeting, electing members of the election committee and prematurely terminating their powers where the articles of association of the company provide for the creation of such an election committee;
12) approving transactions in the instances established by the present Law unless this is within the competence of the supervisory board (board of directors);
13) approving internal documents regulating activities the bodies of the company;
14) approving a corporate governance code and any changes and amendments and additions thereto where the articles of association of the company provide for such a code;
15) the company’s participation in the founding or in the business of any other legal persons unless the articles of association of the company have delegated these matters to the supervisory board (board of directors);
16) deciding to conduct a special review (special audit) of the company.

3. Matters delegated to the competence of the general shareholders’ meeting may not be assigned to any other bodies of a company unless otherwise expressly established by the present Law.

A general shareholders’ meeting may not adopt a resolution upon any matters delegated pursuant to the present Law to the competence of any other bodies of a company unless otherwise established in the articles of association of the company with the exception of instances where other bodies of the companies fail to decide upon any matter delegated to them. In such instances, these bodies may petition a general shareholders’ meeting to adopt a resolution upon any matter; however, where such bodies fail to decide upon any matters that substantially impede [subchestvenno oslozhniaetsia] or render impossible [stanovitsia nevozmozhnoi] the company’s operations, they are required to petition a general shareholders’ meeting to adopt a resolution upon such matters.
Article 75. Approving the Activities of Supervisory Board and Management Committee (Board of Directors)

1. The annual general shareholders’ meeting adopts a resolution to approve the work of the management committee and supervisory board (where there is a dualistic management system) and the board of directors (where there is a monistic management system). Such approval is made in the form of approving the annual report submitted by these bodies, and the annual accounting statements including a profit-and-loss statement (profit-and-loss account) of a company.

2. By adopting a resolution of approval, the general shareholders’ meeting acknowledges the management of a company by the management committee and supervisory board (board of directors) to have been satisfactory.

3. The approval by a general shareholders’ meeting of the work of the bodies of a company releases [the members thereof] from liability to indemnify damages suffered by the company as a result of performance of their corporate management duties where such resolution of approval is based on information sufficient to assess the validity of the acts adopted by the management bodies.

4. Such approval must apply only to the activities that were on the agenda of the general shareholders’ meeting.

2. Convening a General Shareholders’ Meeting

Article 76. Convening a General Shareholders’ Meeting

1. A general shareholders’ meeting is convened in those instances established by the present Law and/or by the articles of association of a company.

2. The management committee (where there is a dualistic management system) or the board of directors (where there is a monistic management system) convenes the annual general shareholders’ meeting upon a resolution adopted by a simple majority of votes cast by the members of the management committee (board of directors). A resolution to convene an annual general shareholders’ meeting is set forth in writing in the form of the minutes of the meeting; however, the right of other persons to convene a general shareholders’ meeting as envisaged by the present Law or the articles of association of a company may not be limited.

3. A company bears the costs related to the convening, preparing and holding a general shareholders’ meeting except for those instances established by the present Law.
4. A general shareholders’ meeting may be convened and held by virtue of a court judgment rendered in a lawsuit filed by any member of the supervisory board (board of directors) on behalf of a company or any shareholder in the event that the corporate bodies fail to convene a general shareholders’ meeting within the period of time established by the articles of association of the company pursuant to the present Law.

Article 77. An Extraordinary General Shareholders’ Meeting Convened upon Demand of Minority Shareholders

1. The management committee (board of directors) is required to convene a general shareholders’ meeting where shareholders’ jointly holding not less than 5% of the total number of a company’s voting shares of stock (hereinafter referred to as “minority shareholders”) demand a meeting in writing specifying its purpose and reasons. A demand to convene a general shareholders’ meeting is sent to the management committee (board of directors) which, within ten days after receiving such demand, must adopt a resolution to convene a general shareholders’ meeting. When convening an extraordinary general shareholders’ meeting pursuant to a demand that has been made, at its discretion, the management committee (board of directors) is entitled to include any other matters, delegated to the competence of the general shareholders’ meeting, as items on the agenda of such convened general shareholders’ meeting.

2. Where the management committee (board of directors) fails to fulfil a demand of minority shareholders, the shareholders who have made such demand may convene the general shareholders’ meeting by virtue of a court judgment. Such court judgment appoints a person responsible for preparing and conducting the general shareholders’ meeting from amongst the plaintiff shareholders. Such court judgment also appoints the meeting’s chairperson.

3. A company bears the costs related to the convening of an extraordinary general shareholders’ meeting by virtue of the court judgment described in clause 2 of the present Article.

Article 78. Notice of a General Shareholders’ Meeting

Notice of a general shareholders’ meeting must be made not less than thirty days prior to the date of the holding thereof.

Article 79. Preparing a General Shareholders’ Meeting

1. When preparing a general shareholders’ meeting, the management committee (board of directors) determines:

1) the form of the general shareholders’ meeting (a meeting or voting in absentia where voting in absentia is permitted by domestic legislation);
2) the date, venue and time of the general shareholders’ meeting or, where a general shareholders’ meeting takes the form of voting in absentia, the final date of accepting voting ballots and the mailing address to which completed ballots should be sent;
3) the date of listing persons having a right to take part in the general shareholders’ meeting;
4) the agenda of the general shareholders’ meeting;
5) the procedure for notifying shareholders of the general shareholders’ meeting;
6) the list of information (materials) made available to shareholders in preparing the general shareholders’ meeting and procedure for the submission thereof;
7) the form and the text of the voting ballot in the event of voting by ballots.

2. The agenda of the annual general shareholders’ meeting must include all the matters to be addressed at the annual shareholders’ meeting as established by domestic legislation.

3. In addition to resolutions on the above-mentioned matters, resolutions must be adopted on determining the type (types) of preferred shares of stock the holders of which have the right to vote on matters on the agenda of the general meeting and, in preparing a general meeting, held in the form of a meeting, also the time of the commencement of the registration of persons attending such general meeting.

**Article 80. Information on a General Shareholders’ Meeting**

1. Notification about convening a general shareholders’ meeting is published in the periodical used for a company’s publications. Notification of convening a general shareholders’ meeting must be published on the company’s website. Legislation may provide for website content requirements. A company’s management committee (board of directors) is liable for the correctness and accessibility of data published on the website.

2. A company is entitled to additionally inform its shareholders of a general shareholders’ meeting through other mass media (TV, radio).

3. Where the shareholders are known by name and where the number thereof does not exceed 100 shareholders, a general shareholders’ meeting may be convened by way of sending registered letters upon condition that no other rules for inviting shareholders have been provided for in the articles of association.

4. The notice of a general shareholders’ meeting must specify:
   1) the full business name of the company and the location of the company;
2) the form of such general shareholders’ meeting (a meeting or voting *in absentia*);
3) the date, venue and time of such general shareholders’ meeting or, where the general shareholders’ meeting takes the form of voting *in absentia*, the final date of accepting voting ballots and the mailing address to which completed ballots must be sent;
4) the date of compiling the list of persons having a right to take part in the general shareholders’ meeting;
5) the agenda of the general shareholders’ meeting;
6) the procedure for reviewing information (materials) to be made available in preparation for the general shareholders’ meeting and the address(es) at which this may be reviewed.

Article 81. Accessibility of Information about the Agenda of a General Shareholders’ Meeting

1. Materials about the agenda of a general shareholders’ meeting must contain information in that quantity which is necessary for the adoption of well-founded resolutions on said matters.
2. If a general shareholders’ meeting must adopt a resolution to amend (add to) the articles of association of a company or to approve a company’s transaction that will become valid only after approval thereof by a general shareholders’ meeting, the text of the proposed changes and amendments (additions) to the articles of association of the company and, also, the material terms and conditions of such transaction are subject to mandatory publication.
3. For every item on the agenda, for which the general shareholders’ meeting must adopt a resolution, the management committee and the supervisory board (where there is a dualistic management system), or the board of directors (where there is a monistic management system), are required, in publishing the agenda, to include their proposals for the adoption of resolutions. However, the reasons for adopting said resolution and the necessity or practicality of the proposal for the company must be indicated.
4. Proposals for the nomination of candidates to the supervisory board (board of directors) as well as the auditing committee (accountant) must specify their names and surnames, profession, places of residence, education, places of employment and the positions which a candidate has occupied during the last three years.
5. Resolutions which have been adopted, concerning items on the agenda of a general shareholders’ meeting that have not been duly published, are void *ab initio*. 
Article 82. Proposals of Items to Be Placed on the Agenda of a General Shareholders’ Meeting

1. Shareholders (a shareholder) jointly holding not less than 2% of a company’s voting shares of stock are (is) entitled to propose matters to the annual general shareholders’ meeting’s agenda and to nominate candidates to the company’s supervisory board (board of directors) or election committee; however, the number of candidates may not exceed the number of members of the appropriate body. Such proposals must reach the company no later than thirty days after the end of a fiscal year unless the articles of association of the company have specified a later term.

2. Where the proposed agenda for an extraordinary general shareholders’ meeting provides for the election of members to the supervisory board (board of directors), a company’s shareholders (a shareholder) jointly holding not less than 2% of the company’s voting shares of stock are (is) entitled to propose candidates to the supervisory board (board of directors), the number of which may not exceed the number of members of the supervisory board (board of directors). Such proposals must reach the company no later than thirty days prior to the date of such extraordinary general shareholders’ meeting unless the articles of association of the company have specified a later term.

3. Proposals to include items on the agenda of a general shareholders’ meetings and proposals of nominations of candidates to the management committee (board of directors) are submitted in writing with an indication of the name (identification) of the shareholders (the shareholder) who have (has) proposed them, the number and class (type) of shares of stock held thereby and must be signed by the shareholders (the shareholder).

4. Proposals to include items on the agenda of a general shareholders’ meeting must specify the wording of each proposed item and proposals of nominations of candidates—the name and surname, the data of the document attesting to the person’s identity (series and/or number of the document, the date and place of the issuance thereof, the issuing authority) of each proposed candidate, the identification of the body to which such candidate is being nominated and other data about her/him as established by the articles of association of the company or by internal documents of the company. Proposals to include items on the agenda of a general shareholders’ meeting must specify the wording of the resolution on each proposed item where such resolution is being proposed.

5. A company’s management committee (board of directors) reviews submitted proposals and decides to include them in the general shareholders’ meeting’s agenda or to reject them not later than five days after the expiration of the time periods specified in Clauses 1 and 2 of the present
Article. A proposal by shareholders (a shareholder) is included on the agenda of a general shareholders' meeting and nominated candidates are placed on the ballot for election to the appropriate corporate body except in instances where:

1) the time periods established in Clauses 1 and 2 of the present Article have not been observed by the shareholders (the shareholder);
2) shareholders (the shareholder) do (does) not hold the number of the company's voting shares of stock as established in Clauses 1 and 2 of the present Article;
3) the proposal does not meet the requirements established in Clauses 3 and 4 of the present Article;
4) the item proposed for the inclusion on the agenda of the general shareholders' meeting is not reserved to its competence and/or does not meet the requirements of the present Law.

Any resolution to include a proposed item on the agenda of a general shareholders' meeting or to place nominated candidates on the ballot that has been adopted in violation of the above requirements is void ab initio.

6. A reasoned [motivirovannoe] resolution adopted by a company's management committee or board of directors to refuse to include a proposed item on the agenda of the general shareholders' meeting or to place a candidate on the ballot is communicated to the shareholders (the shareholder), who proposed such item or nominated such candidate, no later than three days after the date of the adoption thereof. Such refusal may be appealed by the shareholders in a court. The court resolves the issue of whether the refusal to include a proposed item on the agenda of the general shareholders' meeting or to place a nominated candidate on the ballot is lawful [pravomerno] and appoints a representative from amongst the shareholders-plaintiff who is authorized to proclaim the court judgment at the general shareholders' meeting. The company bears the expenses related to hearing the lawsuit where the lawsuit, filed by shareholders, is sustained.

7. A company's management committee (board of directors) is not entitled to amend the wording of items proposed for the agenda of a general shareholders' meeting or the wording of resolutions proposed for such items.

8. The agenda of a general shareholders' meeting may be amended or additions made thereto at a general shareholders' meeting only where all the shareholders are in attendance or are represented.
3. Right to Take Part in General Shareholders’ Meeting

**Article 83. The List of Shareholders Entitled to Take Part in a General Shareholders’ Meeting**

1. Persons having a right to take part in a general shareholders’ meeting are listed on the basis of data from the corporate register.

2. The date of compiling a list of persons having a right to take part in a general shareholders’ meeting may not be fixed prior to the date of adopting a resolution to hold a general shareholders’ meeting and it may not be more than fifty days prior to the date of such general shareholders’ meeting.

3. For the purpose of compiling a list of the shareholders’ having a right to take part in a general shareholders’ meeting, a nominal shareholder submits to a company’s management committee (board of directors) information on the person in whose interests such nominee shareholder holds shares of stock as of the date of listing such shareholders. In failing to disclose this information, s/he/it forfeits the right to vote.

4. A list of the persons having a right to take part in a general shareholders’ meeting specifies the name (identification) of each such person, data necessary for her/his/its identification, data on the number and class (type) of shares of stock held by him/her/it and the voting rights attributable thereto, the mailing address to which notice must be sent of a general shareholders’ meeting and the ballot for voting where voting is assumed by the transmittal of ballots for voting, the results of the voting.

5. Each shareholder has a right to be notified by a company of her/his/its inclusion into the list of participants of the meeting and the number of shares of stock held by such shareholder.

6. Changes and amendments may be made to the list of persons having a right to take part in a general shareholders’ meeting only in instance of remedying violations of the rights of persons who have not been included in said list as of the date of the compilation thereof or of correcting mistakes made in the compilation thereof.

7. The management committee (board of directors) is responsible for ensuring that the list of persons having a right to take part in a general shareholders’ meeting is true and correct.

**Article 84. Shareholders Participation in a General Shareholders’ Meeting**

1. The right to take part in a general shareholders’ meeting may be exercised by a shareholder either personally or through its representative.

2. The articles of association of a company specify the procedure for acknowledging and proving representative powers.
3. Members of a company's management committee (board of directors) do not have a right to act as a representative of shareholders at a general shareholders' meeting.

4. Article 89 of the present Law provides for the particulars of exercising representative powers by a financial institution.

**Article 85. Quorum of a General Shareholders’ Meeting. Adjournment of a General Shareholders’ Meeting**

1. A general shareholders’ meeting is duly authorized to adopt resolutions where shareholders jointly holding more than 50% of a company’s issued voting shares of stock attend such general shareholders’ meeting personally or through a representative unless the articles of association of the company establish a higher quorum.

2. Where a general shareholders’ meeting is not duly authorized to adopt a resolution owing to the absence of a quorum, a second general shareholders’ meeting with the same agenda must be convened within the period of time established by the chairperson of the general shareholders’ meeting but not less than ten days after the adjournment of the general shareholders’ meeting; such second general shareholders’ meeting is duly authorized to adopt resolutions regardless of the number of holders of the company's voting shares of stock attending such meeting personally or through a representative.

3. The agenda may not be amended if a meeting is re-convened.

4. Notification of the shareholders of a company about a second meeting is made in the procedure provided for convening a general shareholders’ meeting.

**Article 86. Election Committee**

1. The articles of association of a company may provide for the formation of an election committee. In this instance, the general shareholders’ meeting elects an election committee.

   A notary or the corporate secretary performs the functions of an election committee where no provision has been made for an election committee. A notary, who has authenticated the founding documents of the company, or the corporate secretary, performs the functions of an election committee at the first general shareholders’ meeting. The articles of association of the company specify the competence and legal status of the corporate secretary.

   Under a resolution adopted by a general shareholders’ meeting, the functions of an election committee may be delegated to the corporate registrar on the basis of an agreement of the company with such registrar.
2. An election committee must include not less than three persons. A corporate election committee may not include corporate officers. Should any member of the election committee fail to attend a general shareholders’ meeting, the additional election of a member of the election committee is permitted during the conduct of the meeting.

3. An election committee counts the votes which have been cast on matters considered by the general shareholders’ meeting, totals the votes and submits these to the notary (corporate secretary, registrar) who keeps the minutes of said general shareholders’ meeting.

4. An election committee (or corporate secretary, registrar or notary performing the election committee functions) and each member of the election committee is responsible for observing the confidentiality of information contained in the ballots which have been completed at a general shareholders’ meeting.

4. Resolutions Adopted by a General Shareholders’ Meeting

Article 87. Simple Majority of Votes

1. A general shareholders’ meeting adopts its resolutions by a simple majority of votes cast by the holders of a company’s voting shares of stock attending the meeting unless the present Law or the articles of association of the company provide for a vote by a qualified majority or impose other requirements.

2. The adoption of resolutions enumerated in [...] of the present Law requires a qualified majority of 75% of the votes unless the articles of association of a company provide for a higher resolution-making quorum.

3. The articles of association of a company regulate the adoption of resolutions on holding a general shareholders’ meeting.

4. Voting is carried out separately by classes (types) of shares of stock.

Article 88. A Shareholder’s Voting Right

1. Except for those instances established by the present Law, the right to vote on any matters put to a vote at a general shareholders’ meeting is vested in the holders of a company’s common shares of stock and, also, in the holders of the company’s preferred shares of stock in those instances as envisaged by the present Law.

2. If any person holds a multiple of a company’s voting shares of stock, in exercising the right to vote, shareholders have the right to divide their votes depending on the number of voting shares of stock held by such persons. They have a right to vote both “for” and “against”.
3. A right to vote is exercised based on the par value of shares of stock or, where there are no-par-value shares of stock, based on the number of shares of stock held by shareholders.

4. A right to vote arises from the moment of making an investment in full to the charter capital of a company. The articles of association of the company may provide that the voting right arises prior to the making of an investment in full, but not upon condition of making the minimal amount of an investment where such has been provided for by domestic legislation.

Article 89. The Exercise of a Voting Right by a Financial Institution Acting as a Representative

1. Financial institutions, i.e., organizations licensed to operate on securities markets, banks, investment companies, etc., may represent a shareholder in exercising the voting right.

2. A financial institution representing a shareholder may only exercise the voting right attributable to shares of stock not held by such institution and where it is not registered as a holder of such shares of stock in the corporate register by virtue of a power of attorney granted by the shareholder and only where the shareholder has given express instructions to such institution regarding items on the agenda. The power of attorney (authorization) [doverennost’/polnomochie] may only contain provisions directly relating to the exercise of the voting right. A company must keep a written power of attorney granted to the shareholder’s representative for a period of three years to ensure its possible verification.

3. A financial institution acting as a shareholder’s representative at a general shareholders’ meeting is required on an annual basis, and in a clear form, to notify the shareholder that s/he/it may at any time revoke the authorization (power of attorney).

4. The voting right granted to a financial institution may only be exercised by employees of such financial institution. The assignation of the voting right to third parties is permitted where such possibility is provided for in the power of attorney along with observance of confidentiality and loyalty to the shareholders.

5. In exercising the voting right, a financial institution representing a shareholder must declare the name of the shareholder on whose behalf such institution acts. The representative (financial institution) may act on its own behalf unless otherwise expressly specified in the power of attorney.

6. In exercising the voting right, where a financial institution representing a shareholder has not been instructed by said shareholder, it exercises the voting right pursuant to its proposals which it communicates to the
shareholder prior to the general shareholders’ meeting with the exception of those instances where the representative is aware of another opinion of the shareholder.

7. In exercising the voting right, where a financial institution representing a shareholder deviates from the shareholder’s instructions or from its own proposals communicated to the shareholder prior to the general shareholders’ meeting, it is required to notify the shareholder specifying the reasons unless the shareholder has instructed it otherwise.

8. A financial institution is required to exercise the voting right at the general shareholders’ meeting as instructed by the shareholder where it keeps the shares of stock of a company held by such shareholder or where it is registered in the corporate register in place of the shareholder and has offered to the company’s shareholders to exercise the voting right on their behalf at the same meeting. Such duty does not arise where the financial institution has no branch at the place of conducting the general shareholders’ meeting and the shareholder has not authorized a transfer of the power of attorney or a transfer of authority to persons who are not employees of such financial institution.

9. The exercise of the voting right by a financial institution representing a shareholder, contrary to the shareholder’s instruction, does not render invalid the resolutions adopted by a general shareholders’ meeting.

Article 90. Exercising a Voting Right Directly

1. An agreement or an entry in the articles of association of a company on the basis of which a shareholder is obliged to exercise her/his/its voting right as instructed by the company, management committee or supervisory board (board of directors) is void ab initio. An agreement according to which a shareholder is obliged to vote in favour of certain proposals of the management committee or supervisory board (board of directors) also are void ab initio.

2. A shareholder does not have the right to exercise her/his/its voting right where a resolution is adopted on approving her/his/its acts, releasing him/her/it from duties or on whether the company must file a claim such shareholder. In such instances, no other person may exercise the voting right of such shareholder.

Article 91. A General Shareholders’ Meeting by Absentee Vote—Inquiry

1. A general shareholders’ meeting may adopt a resolution without holding a meeting (i.e., without the collective attendance of the sharehold-
ers to address items on the agenda and adopt resolutions on matters put to a vote) in the form of voting in absentia.

2. A general shareholders’ meeting, the agenda of which includes the election of members of the supervisory board (board of directors), approval of the company’s accountant or annual reports, annual accounting statements including profit-and-loss statements (profit-and-loss accounts) and profit distribution (including payment (declaration) of dividends following the results of the first quarter, six months, and nine months of the fiscal year) and losses of the company following the results of the fiscal year, may not be conducted using the form of voting in absentia.

Furthermore, the articles of association of a company may prohibit voting in absentia on all or on individual items on the agenda of a general shareholders’ meeting.

3. Any resolution of a meeting adopted in the form of voting in absentia is valid where over 75% of the persons holding the company’s voting shares of stock have cast their votes unless the articles of association of the company provide for a higher quorum.

4. Voting ballots must be sent to persons on the list of shareholders not later than 45 days prior to the date of the general shareholders’ meeting. If a general shareholders’ meeting takes the form of voting in absentia, a company having five hundred shareholders or more is required to publish in the mass media, as set forth in the articles of association of the company, a voting in absentia ballot along with the notice of the general shareholders’ meeting.

5. The voting in absentia ballot must specify:
   1) the full name and location of the executive body of the company;
   2) data about the person initiating the convening of the general shareholders’ meeting;
   3) the final date of submitting voting in absentia ballots;
   4) the date of conducting the general shareholders’ meeting or the date of counting the votes cast through voting in absentia;
   5) the agenda of the general shareholders’ meeting;
   6) the wording of items put to a vote;
   7) options for voting on each item on the agenda of the general shareholders’ meeting expressed with the words “for” or “against”;
   8) an explanation of how to cast votes (filling in the ballots) on each item on the agenda.

6. A voting in absentia ballot of a shareholder who is a natural person must be signed by the shareholder with an indication of the data of his/her document attesting to the identity of said person.
A voting in absentia ballot of a corporate shareholder must bear the signature of its body (officer) authorized to act without a power of attorney.

A voting ballot which lacks the signature of a shareholder who is a legal person or the chief of a corporate shareholder is deemed to be invalid.

In counting votes, only those votes are counted which are cast on matters for which the shareholder has observed the voting procedure as set forth in the voting ballot.

7. Where any shareholder who previously submitted a voting in absentia ballot takes part in the voting at a general shareholders’ meeting where mixed voting takes place, her/his/its ballots will not be counted in the quorum of such general shareholders’ meeting and in calculating the votes cast on the items on the agenda.

5. Holding of General Shareholders’ Meetings

Article 92. Procedure for Holding a General Shareholders’ Meeting

1. The procedure for holding a general shareholders’ meeting is governed by the provisions of the present Law, the articles of association of the company, and regulations on general shareholders’ meetings whenever such regulations are envisaged in the articles of association of the company.

2. A general shareholders’ meeting is chaired by the chairperson of the supervisory board (board of directors) of the company unless the articles of association of the company provide for another procedure for appointment of the chairperson of the general shareholders’ meeting.

3. A notary or a corporate secretary fulfils the duties of the secretary of the general shareholders’ meeting.

4. The opening of a general shareholders’ meeting is preceded by registration of the shareholders (their representatives) who have arrived. The representative of a shareholder must produce an appropriate power of attorney in support of the authority vested in her/him/it to attend and to vote at the general shareholders’ meeting.

A shareholder (representative of a shareholder) who has not been registered is not counted in determining the presence of a quorum and is not entitled to vote.

A shareholder in a company who is the owner of preferred shares of stock is entitled to attend a general shareholders’ meeting held in praesentia and participate in discussions of matters dealt with [at such meetings].

5. A general shareholders’ meeting is opened at the declared time where a quorum is present. A general shareholders’ meeting may not be
opened prior to the previously designated time other than in situations when all of the shareholders (their representatives) already have been registered, notified and have no objections to changing the time of the opening of the meeting.

6. A general shareholders’ meeting determines the form of voting i.e., open or secret vote (ballot vote). Unless the articles of association of a company require otherwise, when voting in the election of the chairperson (presidium) and the secretary of a general shareholders’ meeting, each shareholder is entitled to one vote, and the resolution is adopted by a simple majority of votes cast from amongst the attendees.

7. During a general shareholders’ meeting, the chairperson thereof is entitled to put to a vote a proposed closure of the debate on a matter and, also, to change the form of vote thereon.

The chairperson is not entitled to prevent persons having a right to take part in the discussions of items on the agenda from taking the floor unless it might result in a violation of order of the general shareholders’ meeting or when the debate on the subject matter is over.

8. A general shareholders’ meeting is entitled to adopt a resolution on the adjournment or extension of its work, including the postponement of consideration of items on the agenda of a general shareholders’ meeting, until the next day.

9. A general shareholders’ meeting may be adjourned only after all of the items on the agenda thereof have been reviewed and decided upon.

10. The notary or corporate secretary acting as the secretary of a general shareholders’ meeting is responsible for the completeness and accuracy of data appearing in the minutes of a general shareholders’ meeting.

Article 93. Voting at a General Shareholders’ Meetings. Voting Ballot

1. Whenever voting at a general shareholders’ meeting takes the form of a secret vote, ballots for such vote (ballots for secret voting in person) must be available for each separate matter put to such secret vote.

2. The voting ballot must specify:
   1) the full firm name of the company and the location thereof;
   2) the form of holding a general shareholders’ meeting (a meeting held in praesentia or in absentia);
   3) the date, venue and time of the general shareholders’ meeting, and when such general shareholders’ meeting is held in absentia, the deadline for acceptance of voting ballots and the postal address to which to send completed ballots;
   4) the wording of each item on the meeting’s agenda and the number thereof; the wording of resolutions on each such item (names of all candidate) voted upon as a result of such ballot;
5) voting options available for each item on the agenda taking the form of “for” and “against”; voting options with regard to each candidate for election to the bodies of the company;

6) the number of votes attributable to a shareholder.

In the event of cumulative voting, the voting ballot must contain an indication thereof and explain the procedure for holding cumulative voting.

3. The ballot for a secret vote in praesentia is not signed by the shareholder unless such shareholder herself/himself/itself has expressed intent to sign the ballot, including when s/he/it does so to demand redemption of her/his/its shares of stock by a company under the provisions of the present Law.

In calculating the votes cast in ballots for a secret vote in praesentia, votes are counted which have been cast on matters for which the voter has complied with the voting procedure as set forth in the ballot and has checked only one of the possible voting options.

4. Election of members of the supervisory board (board of directors) may use cumulative voting. In the event of cumulative voting, votes attributable by shares of stock may be cast by a shareholder in full for one candidate to the supervisory board (board of directors) or distributed amongst several candidates to the supervisory board (board of directors). Candidates for whom the most votes have been cast are deemed to be elected to the supervisory board (board of directors).

**Article 94. Counting of Votes in Case of Voting by Ballot**

1. In voting by ballot, those votes are counted on matters for which the voter chose only one of the possible voting options. Voting ballots completed in violation of the foregoing requirement are deemed to be invalid and the votes cast on the matters set forth therein are not counted.

2. Where a voting ballot contains several matters which are put to vote, any failure to comply with the foregoing requirement with regard to one or several matters does not render the entire ballot invalid.

**Article 95. Documentation of Voting Results**

1. In compiling results of the voting, the election committee, notary, registrar or corporate secretary compiles and signs the minutes of voting results. The minutes of a general shareholders’ meeting must be prepared and signed within three days following adjournment of such general shareholders’ meeting.

2. Whenever a shareholder has a dissenting opinion on any matter put to vote, the notary, registrar or corporate secretary, exercising the func-
tions of the elections committee at such general shareholders’ meeting, is required to make an appropriate entry in the minutes.

3. After compiling and signing of the record of voting results, the ballots that have been completed for secret voting in praesentia and voting in absentia (including those ballots which have declared void), pursuant to which the minutes have been compiled, are bound together with the minutes and stored for safekeeping in the company’s archive.

4. The minutes of voting results are summarized in the minutes of the general shareholders’ meeting.

5. The voting results are read aloud at the general shareholders’ meeting during which such voting took place.

6. The results of voting taking place at a general shareholders’ meeting or those of voting in absentia is advised to the shareholders in the form of publication thereof in the mass media or providing a written notice to each shareholder within ten days after adjournment of the appropriate general shareholders’ meeting.

The procedure for advising shareholders of the voting results is governed by the articles of association of a company. The voting results and resolutions adopted must be published on the joint-stock company’s website.

**Article 96. Minutes of the General Shareholders’ Meeting**

1. The minutes of a general shareholders’ meeting are compiled by a notary (corporate secretary) who is required to attend the general meeting.

2. The minutes of a general shareholders’ meeting indicate:
   1) the venue, date and time of the general meeting;
   2) the name and surname of the notary (corporate secretary) who is taking the minutes;
   3) the total number of votes attributable to shareholders who are holders of the company’s voting shares of stock;
   4) the total number of votes attributable to the shareholders who are attending the meeting;
   5) the form of voting, voting results and the fact that the chairperson read aloud the resolution taken.

3. Documents attesting to the lawfulness of the convened meeting are appended to the minutes where they are not reproduced in the minutes with an indication of the contents thereof.

4. The notary (corporate secretary), who has compiled them, signs the minutes and is liable for the accuracy and the completeness of the minutes.
5. Where the minutes of a general shareholders’ meeting are signed by the corporate secretary, her/his signature is verified by a notary.

**Article 97. Shareholder Rights to Information**

1. Each shareholder irrespective of the number of shares of stock in a company held by her/him has the right to demand that the management committee (board of directors) provide her/him with information on the legal status, financial and business position and operations of the company, as well as on other company-related matters, where such information is required for proper consideration and assessment of any item on the agenda of a general shareholders’ meeting.

2. Information provided by a company upon demand of a shareholder must be complete and accurate.

3. The management committee (board of directors) has the right to refuse disclosure of such information to the shareholders:
   1) where disclosure of the information being demanded may cause material damage to the company or its affiliates;
   2) where disclosure of the information by the management committee (board of directors) would constitute an act punishable by criminal law.

   Any other grounds for denying disclosure of information may be as envisaged only by a law.

4. If any information has been disclosed by a company to a shareholder, including prior to a the holding of a general meeting, such information must be disclosed to any other shareholder upon her/his/its demand at such general shareholders’ meeting, even where such information is not required for proper valuation of an appropriate item on the agenda of such general shareholders’ meeting.

5. Where a shareholder has been denied disclosure of information which she/her/it has demanded, s/he/it may demand that her/his/its matter and the ground for such denial to disclose information be included in the minutes of the meeting.

6. A denial to disclose information to a shareholder may be appealed to a court at the place of a company’s registration.

7. Any shareholder who has been denied disclosure of demanded information has a right to petition a court. If a resolution was adopted on an item on the agenda for which appropriate information was required, any shareholder attending such general shareholders’ meeting and filing an objection, which was included in the minutes of such general shareholders’ meeting, has a right to petition a court. The petition (lawsuit) is filed within two weeks after the general meeting at which the shareholder(s) was (were) denied disclosure of such information.
8. Where the court grants a shareholder’s petition, the information must be disclosed to the shareholder outside of a general shareholders’ meeting. Information on the judgment and a summary of the essence of the case must be published on the company’s website. The court judgment in said matter is subject to mandatory enforcement in accord with procedural legislation.

9. In the event of a judicial demand for information, that for no valid ground was not disclosed to a shareholder, upon her/his/its demand, the duty to reimburse the judicial costs, including disbursements for payment for the services of a representative, are borne by the corporate officer who denied disclosure of the information.

10. A model procedure for, and the scope of disclosure of, information may be prescribed by a special document (a Model Corporate Governance Code) developed by representatives of issuers of shares of stock and investors and approved by the competent authority as a document recommended for adoption by each issuer. A company is required to have an internal document that defines the procedure for, and scope of disclosure of, information to the company’s shareholders, developed on the basis of recommendations set forth in a Corporate Governance Code.

11. Where a company disseminates information in any form on an event (fact, circumstance) (e.g., future profits, possible major transaction, etc.), it must disseminate information on the material changes of such event (material changes in forecasts, material changes in terms and conditions of transactions, etc).

12. A shareholder demanding disclosure of information may also demand that the lawfulness of his/her/its request be decided upon by an arbitrator, where the competent authority has approved a procedure for certification of arbitrators.

6. The Invalidity ab initio of Resolutions Adopted by a General Shareholders’ Meeting. Appealing Resolutions Adopted by a General Shareholders’ Meeting

Article 98. Grounds for the Invalidity ab initio of Resolutions Adopted by a General Shareholders’ Meeting

1. In addition to the cases of the invalidity ab initio as envisaged in the present Law, a resolution adopted by a general shareholders’ meeting is void ab initio where it:

i) was adopted by a general meeting convened in violation of the rules for convening a general shareholders’ meetings set forth in Articles 76-84 of the present Law;
2) no minutes of the general meeting minutes were compiled pursuant to the requirements for compiling minutes of a general shareholders’ meetings;

3) was declared void ab initio pursuant to a court judgment on the basis of a lawsuit disputing a resolution which has entered into legal force;

4) was adopted in the absence of a quorum as envisaged by the present Law or by an insufficient number of votes as established by domestic legislation or the articles of association of the company for the adoption of resolutions by a general shareholders’ meetings;

5) was adopted with regard to an item that was not included on the agenda of the general meeting pursuant to the present Law with the exception of the instances where all the shareholders of the company attended the general shareholders’ meeting.

[2. A court may not declare a resolution void ab initio adopted by a general shareholders’ meeting where the registration authority, acting in pursuance of such resolution, has affected the registration of changes in the company’s legal status and where three or more years have passed since such registration.]

Article 99. Grounds for Appealing (Contesting) Resolutions Adopted by a General Shareholders’ Meetings

1. A resolution of a general shareholders’ meeting may be appealed (contested) by way of a lawsuit where such resolution was adopted in violation of domestic legislation or the articles of association of the company.

   Provision of inaccurate or incomplete information regarding the outcomes of a general shareholders’ meeting and resolutions adopted thereby, or a refusal to provide such information, may constitute grounds for contesting a resolution of a general meeting where such provision of information would have been material in terms of the exercise of a shareholder’s rights to take part in such general shareholders’ meeting as well as other rights of such shareholder.

2. Taking into account all the circumstances of the matter, a court is entitled to uphold a resolution which is being contested where the voting of such shareholder would not have affected the voting results, where the violations which were committed are not material and enforcement of the judgment would not have lead to damages for said shareholder or not have lead to other adverse effects.

3. A resolution may not be appealed (contested) on grounds that a shareholder’s representative has failed to advise the shareholder of the results of the general shareholders’ meeting and resolutions adopted thereat.
4. A resolution may not be appealed where the general shareholders’ meeting has confirmed its resolution by a new resolution adopted in the appropriate fashion.

**Article 100. Right to Appeal (Contest)**

1. The following have a right to appeal (contest) a resolution of a general shareholders’ meeting:
   1) any shareholder attending the general shareholders’ meeting where s/he/it raised a protest (objection) that was included in the minutes of such general shareholders’ meeting, or has provided the court with satisfactory evidence that s/he/it made reasonable attempts to cause such protest to be included in the minutes but the person, responsible for compiling the minutes, refused to accept such protest;
   2) any shareholder failing to attend the general shareholders’ meeting where s/he/it was wrongfully denied access to such general shareholders’ meeting, or where such meeting was inappropriately convened, or where the matter being decided upon had not been published pursuant to the established procedure.

2. A lawsuit to appeal (contest) a resolution adopted by a general shareholders’ meeting must be filed within one month after the claimant knew or should have known about the adoption of such resolution, but in any event not later than three months after such resolution was adopted. Where the period of time for appealing a resolution of a general shareholders’ meeting, as envisaged by this Clause, has been exceeded, it is not subject to restoration.

3. A lawsuit is filed against a company in the person of its management committee and supervisory board (where there is a dualistic management system) or the board of directors (where there is a monistic management system).

4. A lawsuit is heard by a court of the jurisdiction in which a company is registered.

5. The management committee (board of directors) is required to immediately publish information on a lawsuit which is being filed against it and the date of the court proceedings in the periodical used to publish the company’s information and on the company’s website.

**Article 101. Effects of Invalidating Resolutions of a General Shareholders’ Meeting**

1. Where a resolution of a general shareholders’ meeting is declared by a court to be void *ab initio*, under a judgment which has taken legal effect, such court judgment has legal force for all shareholders and members of
the management committee and the supervisory board (members of the board of directors) even where they have not been parties in the case.

2. The management committee (board of directors) is required to immediately transmit the court judgment to the corporate registrar. Where the registration authority acting in pursuance of the resolution of a general shareholders' meeting that was declared by a court to be void ab initio previously has undertaken registration-related activities, such court judgment also immediately is transmitted to such registration authority for undertaking any required activities within its competence. Information on such court judgment and on acts undertaken by the company, the registrar or the registration authority in pursuance thereof are published by the company in the same manner as that which is prescribed for information about an appropriate resolution of a general meeting.

3. Where a resolution of a general shareholders' meeting concerns changes and amendments or modifications of the articles of association of the company, the entire articles of association of the company in the redaction which is pursuant to said court judgment, along with the court judgment, must be provided for state registration, as well as all previous redactions of the articles of association of the company and changes and amendments (additions) certified by a notary.

4. Declaring a resolution of the general shareholders' meeting void ab initio results in the invalidity of all transactions concluded pursuant to this resolution with the exception of those instances where agreements have been concluded, pursuant to such resolution, with third parties where they did not know or could not have known about the reasons for its invalidity.

III. The Supervisory Board

Article 102. Competence of the Supervisory Board

1. The supervisory board supervises the work of the management committee and interacts with it in developing and adopting resolutions that are important for the company.

2. To supervise the work of the management committee, the supervisory board has the right to:
   1) demand and obtain from the members of the management committee reports on the company's performance at any time;
   2) request, review, verify and study documents of the company, including its accounting records, the company's property, the company's cash and securities and goods which it has; and also entrust individual
members of the supervisory board to do the same or to engage experts for the performance of particular tasks;

3) review the annual management committee’s reports, proposals regarding distribution of profits and information on the company’s performance and report this to the general meeting;

4) represent the company in concluding agreements between the company and members of the management committee;

5) appeal (contest) resolutions of the general shareholders’ meeting in the instances as envisaged by the present Law and the articles of association of the company;

6) file lawsuits against members of the management committee, without an appropriate authorization from the members of the general shareholders’ meeting, for damages inflicted upon the company as a result of their wrongful acts and represent the company in judicial proceedings instituted in connection therewith.

3. The supervisory board of a company is required to convene a general shareholders’ meeting where this is in the best interests of the company. The resolution to convene such a general shareholders’ is adopted by a simple majority of votes cast by members of the supervisory board.

4. In reviewing reports and information regarding the company’s performance, the supervisory board, in its communications, is required to communicate the manner and scope of its review of the management committee’s work during the preceding fiscal year, the part of the annual statement it has reviewed, and whether or not such reviews have resulted in any material changes to the final report.

5. In the event of an occurrence of the prerequisites set forth in subparagraph 6, clause 2, of the present Article, the supervisory board is required, on behalf of the company, to file a lawsuit against members of the management committee for indemnification of damages.

Article 103. Competence to Elect and Dismiss Members of the Management Committee from Office

1. The supervisory board appoints and dismisses members of the management committee from office. It also appoints deputies to the members of the management committee in the instances set forth in the articles of association of the company.

2. On behalf of a company, the supervisory board concludes and terminates service agreements (corporate agreements) with the members of the management committee and deputies of members of the management committee.

3. The supervisory board has the right to vest the authority, in a special committee, to select candidates to the management committee.
and prepare their appointment, which at the same time must develop the basic terms and conditions of the service agreement, including the matter of compensation for members of the management committee.

4. The articles of association of a company [alternatively: domestic legislation] may provide for the right of the company’s personnel [trudovoi kollektiv] to appoint one-third of the members of the supervisory board.

**Article 104. Approval by the Supervisory Board**

1. The management committee may not transfer its functions regarding management of a company to the supervisory board.

2. The following are the matters to be decided upon by the management committee subject only to the supervisory board’s approval:

   1) acquire and alienate shares of stock (equity stakes) in other business companies and partnerships, alienate or suspend activities of separate enterprises of the company;

   2) acquire, alienate or encumber the company’s immoveable property;

   3) open and close branch and representative offices of the company, approve regulations governing the operations thereof;

   4) compile annual budgets of the company’s operations, including planned profits and investment plants and a valuation of liabilities arising under long-term relations;

   5) make investments the amounts of which, both severally and aggregate during a given fiscal year, exceed 10% of the amount of the balance sheet of the previous fiscal year;

   6) raise loans or credit facilities in excess of the limits established by the supervisory board;

   7) grant loans or credit facilities where they do not relate to the scope of the normal business activity of the company;

   8) engage in new, and terminate currently existing, types of commercial activity or production;

   9) establish general principles and key areas of business policies;

   10) establish the principles for participation of the company’s managerial staff in the company’s profits or establish other benefits for them;

   11) appoint and dismiss sales representatives of the company.

3. The provision of loans and credit facilities to members of the supervisory board and management committee are allowed only with the approval of a general shareholders’ meeting.

4. The articles of association of a company may also provide for other resolutions requiring approval of the supervisory board.
Article 105. Composition and Election of Members of the Supervisory Board

1. The supervisory board must be made up of not less than three members.

2. A member of the supervisory board may only a natural person who enjoys full legal capacity.

3. Members of the supervisory board are elected at a general shareholders' meeting or such authority may be delegated to them in the manner prescribed by the articles of association of the company. Members of the first composition of the supervisory board are elected by the company's founders and specified in the documents that represent evidence of the transaction of the founders to create the company (foundation agreement, minutes of the founders' meeting).

4. The right to delegate members to the supervisory board may only be as envisaged in the articles of association of the company and only for specific shareholders' or holders of particular types of shares of stock. The number of members delegated to the supervisory board may not exceed one-third of the number of members of the supervisory board as envisaged by domestic legislation or by the articles of association of the company.

5. Each member of the supervisory board is elected for a period of up to three years. The authority of members of the supervisory board is automatically extended upon expiration of the above period until the convening of the next regular general shareholders' meeting and election of new members thereat. Members of the supervisory board may be re-elected for a new term.

6. Elected members of the supervisory board may be dismissed from office by a resolution of a general shareholders' meeting at any time. Such resolution is adopted by a simple majority of votes. The articles of association of a company may provide for another majority of votes or for additional requirements. Delegated members of the supervisory board may also be dismissed from office by a person authorized to delegate them and replace them by new members at any time. If grounds for exercise of the delegation right as envisaged in the articles of association of the company no longer exist, the general shareholders' meeting may dismiss a delegated member from office by a simple majority of votes.

7. A member of the supervisory board may be dismissed from office by a court judgment upon a petition filed by the supervisory board where there exists a material circumstance associated with such person that prevents her/him from performing the duties of a member of the supervisory board. The supervisory board decides on such motion by a simple majority of votes. The member against whom such resolution has been adopted by the board may appeal such resolution of the supervisory board.
8. Any member of a supervisory board may resign at any time. If within six months after such resignation of a member of the supervisory board, a new member has not been elected, a court may appoint a new member upon a petition of the company’s management committee. The same rule applies where the number of members of the supervisory board is less than that required by domestic legislation or by the articles of association of the company, or where a member of the supervisory board is elected in contravention of the requirements of domestic legislation and more than six months remain prior to the general meeting. Only the management committee is authorized to petition a court to appoint a new member of the supervisory board.

9. The powers of a member of the supervisory board, appointed by a court, terminate at the moment the grounds for such court appointment cease to exist.

Article 106. Impermissibility of Simultaneous Membership in the Management Committee and Supervisory Board

1. A member of the supervisory board may not simultaneously be a member of the management committee or a deputy to a member of the management committee.

2. The articles of association of a company may list corporate officers who may not simultaneously be members of the supervisory board.

3. Members of the supervisory board do not have the right to be employed as officers by organizations that are a company’s competitors in terms of the content and/or nature of their activities, products produced, services rendered, or upon other grounds that result in competitive relations there between, or to be employed as officers with affiliates of such organizations. Furthermore, members of the supervisory board do not have the right to render consultancy or other services to such competing organizations or to the affiliates thereof.

4. In the event of a violation of the provisions of the present Article, the management committee is obliged immediately to put before the supervisory board and/or a general shareholders’ meeting of the company the matter of eliminating such violation.

Article 107. Publication of Information Regarding Changes in Membership of the Supervisory Board

1. A company’s management committee immediately must use the company’s website or a periodical used for publishing the company’s communications, to publish information regarding any change in the member-
ship of the supervisory board and to ensure the reflection (registration) of these changes in the corporate register and/or state register.

2. The management committee is required to publish information on the election of a chairperson of the supervisory board and to ensure the reflection (registration) of this information in the corporate register and/or state register.

3. Where the management committee of a company believes that members of the supervisory board were elected in violation of the requirements imposed by domestic legislation or by the articles of association of the company, it is required promptly to publish a communication thereof on the company’s website or in a periodical used for publishing the company’s communications. Such communication must specify the provisions of domestic legislation or the articles of association of the company which have been violated in electing members of the supervisory board.

Article 108. Chairperson of the Supervisory Board

1. The supervisory board elects from amongst its members, for the term of its office, the chairperson of the supervisory board and one deputy chairperson unless the articles of association of the company provide for the election of a greater number of deputies.

2. Upon election of the chairperson and deputy chairpersons of the supervisory board, the management committee is required within one week to ensure the reflection (registration) of this fact in the corporate register and/or state register.

3. The chairperson of the supervisory board coordinates the activities of the board, chairs meetings thereof and represents the supervisory board before other bodies of the company, officers and personnel thereof.

4. The chairperson of the supervisory board is required to continuously cooperate with the management committee, in particular with the chief executive of the management committee, and discuss with her/him the strategy and development of the company’s operations and the risks thereof. The chief executive of the management committee is required to advise the chairperson of the supervisory committee of important events that are material in terms of the company’s operations and valuation of the company’s performance and development. The chairperson of the supervisory board is required to advise members of the supervisory board thereof and, where necessary, to convene a meeting of the supervisory board, including an extraordinary one.

5. The deputy chairperson of the supervisory board has the powers and duties of the chairperson only in the event of the occurrence of circumstances preventing the chairperson from performing of his/her duties.
6. The articles of association of a company may provide for additional powers and duties of the chairperson of the supervisory board where they do not contravene the imperative norms of domestic legislation.

7. A company is not entitled enter into employment relations with a member of the supervisory board.

**Article 109. Meetings of the Supervisory Board**

1. Meetings of the supervisory board are held not less than once a quarter. The chairperson of the supervisory board is required to ensure that meetings of the supervisory board are held quarterly.

2. Each member of the supervisory board or of the management committee has the right to demand that the chairperson of the supervisory board immediately convene a meeting of the supervisory board. Such demand must specify the goals and reasons for convening an extraordinary meeting of the board. The chairperson of the board is required within two weeks, after an announcement that a meeting will be convened, to convene such meeting.

3. Where a demand to convene a meeting of the supervisory board is not granted, any member of the supervisory board or the management committee may convene a meeting of the supervisory board. It is mandatory to indicate the purposes and reasons for such convening and to attach an agenda of the meeting.

4. Meetings of the supervisory board are chaired by the chairperson of the supervisory board. Minutes of the board’s meetings are kept by one of the members of the supervisory board and signed by the chairperson of the board. The chairperson of the board is responsible for the completeness and accuracy of the minutes.

5. The minutes of a meeting of the supervisory board specify the venue and date of such meeting, the attendees, and items on the agenda and resolutions of the supervisory board. A failure to comply with the requirements for compiling the minutes does not render invalid resolutions which have been adopted, but does give a right to enter the appropriate changes and amendments and make changes to the minutes.

6. Upon demand, each member of the supervisory board must be provided with a copy of the minutes of a meeting.

7. Persons who are not members of either the supervisory board or the management committee must not attend meetings of the supervisory board. Experts and specialists may be involved to discuss specific matters.
Article 110. Resolutions of the Supervisory Board

1. The supervisory board is authorized to adopt resolutions where a meeting is attended by more than one-half of the members of the board unless the articles of association of the company provide for a higher quorum. Where the supervisory board is not authorized to adopt resolutions, the chairperson of the supervisory board, within one week but in any event no sooner than three days thereafter, is required to convene a new meeting which will be authorized to adopt resolutions irrespective of the number of members attending. Any failure to appear at a meeting of the supervisory board, without mitigating reasons, constitutes a violation of the duties of a member of the supervisory board. If, during a fiscal year, a member of the supervisory board has failed to appear at more than one-half of the meetings of the supervisory board, this circumstance must be noted in a supervisory board report.

2. The supervisory board adopts resolutions by a majority of votes cast by the members attending it. Each member has one vote.

3. Members of the supervisory board who are not able to attend a meeting may take part in the resolution-making process by way of voting in writing. Votes in writing may be transmitted through other members of the supervisory board.

4. The adoption of resolutions by the supervisory board by written vote, phone or using other electronic communication means is permitted only upon condition that no member of the board has expressed opposition thereto.

5. Resolutions of the supervisory board are fixed in writing.

Article 111. Compensation for Members of the Supervisory Board

1. Members of the supervisory board must be compensated for their duties. The amount of such compensation must be included in the articles of association of the company or approval by the general shareholders’ meeting. Whenever the amount of compensation payable to the members of the supervisory board is determined by the general shareholders’ meeting, the amount of compensation for the chairperson and deputy chairperson of the supervisory board is separately specified in an appropriate resolution of such general shareholders’ meeting.

2. Amounts of compensation must be commensurate with the amount of work done by members of the supervisory board and the company’s financial position. In addition to the established rates of compensation due, members of the supervisory board may receive bonuses for the successful management of the company’s business.
3. A resolution on compensating members of the supervisory board also must specify the benefits and allowances (i.e., company car, secretaries, reimbursement of any expenses etc.) which may be afforded to members of the board. Said resolution must specify whether or not an insurance agreement will be concluded for property liability of members of the supervisory board.

**Articles 112. Committees and Commissions of the Supervisory Board**

1. From amongst its members, the supervisory board may create one or several committees (commissions), the primary task of which is preparing for meetings and resolutions of the board and verifying the implementation of resolutions which have been adopted.

2. The chairpersons of individual committees (commissions) are required to regularly provide the supervisory board with information on the work of the committees (commissions).

3. The names and the numbers of such committees (commissions) are determined pursuant to the provisions of the articles of association of a company.

4. The right and duties of the supervisory board may not be transferred to committees or commissions of the board.

**Article 113. Conflict of Interest**

1. Each member of the supervisory board is required to serve the lawful interests of the company and perform its functions solely in the interest of the company. S/he does not have a right to pursue personal goals or make managerial decision based on personal interest, nor does s/he have a right to use business opportunities and proposals intended for the company in his/her own interests.

2. Each member of the supervisory board, both prior to being elected member of the board and during his/her term of office, must disclose to the board all information regarding a conflict of interest which may arise out of cooperation or the holding of an official position as a member of a supervisory board of customers, suppliers, creditors or business partners of the company.

3. The supervisory board is required to include, in its report to the general shareholders’ meeting, information on instances of conflicts of interest and on the measures which have been taken to eliminate them.

4. Where there is a material conflict of interest related to a specific member of the board that cannot be removed, such member of the board is required to resign.
5. All agreements between a member of the board and the company, including loans or credit facilities received from the company, may only be concluded after prior approval thereof by the supervisory board.

IV. Management Committee

Article 114. Competence of the Management Committee

1. The management committee is the managerial corporate body exercising the management of a company under its own responsibility.

2. At its own discretion, the management committee adopts resolutions on matters of managing the company, but solely in the interests of the company and its subsidiaries with the goal of ensuring the stability and continuously improving the economic position of the company.

3. The management committee develops strategic areas for the company’s development and seeks their approval by the supervisory board and adopts resolutions on the implementation thereof.

4. In exercising its functions, the management committee is not required to follow instructions of the supervisory board, the general shareholders’ meeting or individual shareholders. In situations prescribed by domestic legislation or by the articles of association of the company, the management committee is required to have its resolutions approved by the supervisory board.

5. The management committee is required to ensure compliance with the requirements of legislation as regards the company, shareholders and bodies thereof. It is required to comply with resolutions of the general shareholders’ meeting and of the supervisory board adopted within the scope of their competence. The management committee is required to use its best efforts to ensure that a general shareholders’ meeting and the supervisory board adopt their resolutions in accordance with the provisions of domestic legislation and with the articles of association of the company.

6. The management committee is required to develop an appropriate and effective system of operational management of the company’s affairs and controlling its business risks. It is required to inform the supervisory board of the existence and operation of such system.

7. Upon demand of a general shareholders’ meeting, the management committee is required to prepare matters the resolution of which is within the competence of the general shareholders’ meeting. The same rule also applies to preparing and concluding agreements (transactions) which enter into force only after approval thereof by a general shareholders’ meeting.
8. The management committee is required to ensure the implementation of resolutions adopted by a general shareholders’ meeting within the scope of the meeting’s competence.

9. Representatives of employees of the joint-stock company, elected by its personnel [trudovoi kollektiv], may attend meetings of the management committee with an advisory vote. The procedure and conditions for representatives of the personnel (representatives of the employees) of the company to attend meetings of the management committee are established by the articles of association of the company or by a collective bargaining agreement.

**Article 115. Composition and Internal Organization of the Management Committee**

1. The management committee may be made up of one or several members.

2. A member of the management committee may only a natural person who enjoys full legal capacity.

3. A person who has been convicted and sentenced in criminal proceedings for property crimes may not be appointed as member of a management committee unless five years have passed since the service of sentence thereby. A person who pursuant to a court judgment or a ruling of a competent authority has been prohibited from engaging in a particular activity or from holding a managerial positions in business and/or other organizations may not be appointed member of the management committee for the period of time of such prohibition, where the scope of the company’s operations in whole or in part coincide with the subject-matter of such prohibition.

4. Where the management committee is made up of several persons, the members of the management committee are authorized only jointly to manage the company. Where there is a disagreement amongst the members of the management committee, a resolution is adopted by a simple majority of votes unless the articles of association of the company or regulations on the management committee provide for the existence a higher quorum for resolving on specific matters.

5. The articles of association of the company or regulations on the management committee may provide for a procedure for distributing functions amongst members of the management committee and a procedure for resolution-making.

6. The regulations on the management committee are adopted by the supervisory board at the proposal of the management committee.

7. In each case of a change in its composition, the management committee is required to ensure the reflection (registration) of these changes
in the corporate register and in the state register. Such change in the composition of the management committee has legal force only after registration thereof in the state register.

8. When being appointed or when their term of office is extended, members of the management committee are required to confirm that there are no circumstances preventing their appointment (election, employment) as an officer of the management committee.

9. New members of the management committee provide specimens of their signatures, for inclusion in the corporate register [and state register], which they will use to sign corporate business documents.

Article 116. Appointment and Dismissal from Office of Members of the Management Committee

1. Members of the management committee are appointed for a term of no more than three years. Re-appointment is permitted. This requires a new resolution of the supervisory board which may not be adopted more than one year prior to the expiration of such member’s term of office.

2. Where the management committee is made up of several members, the supervisory board appoints one of them to be the chief executive officer of the management committee. The chief executive officer of the management committee heads the management committee as a collegial body, coordinates its activities and chairs meetings thereof. The articles of association of a company may delegate additional powers to the chief executive officer of the management committee; however, the articles of association of the company may not authorize him/her to issue instructions that are binding upon other members of the management committee.

3. Following his/her appointment, a member of the management committee concludes a service agreement (corporate agreement) the term of which must correspond to the term of office of such member. The chairperson of the supervisory board signs such service agreement (corporate agreement) on behalf of the company.

4. The supervisory board may dismiss a member, and the chief executive officer, of the management committee from office (terminate his/her powers) at any time. The provisions of the Civil Code on contracts are applied to the service agreement (corporate agreement) concluded with members of the management committee. Termination of a service agreement is made pursuant to a resolution of the supervisory board to dismiss a member of the management committee from office (termination of authority).

5. The management committee is required to publish information on the termination of the authority of a member of the management committee and on the appointment of a new member of the management
committee and, also, is required to ensure the reflection (registration) of changes in the composition of the management committee in the corporate register and in the state register.

6. If there is a delay in appointment of a member of the management committee without whom such management committee is not authorized to adopt resolutions, any member of the supervisory board may file a motion for a court to appoint such member of the management committee. The authority of such member of the management committee appointed by a court terminates where a member of the management committee is appointed by the supervisory board. A member of the management committee appointed by a court is entitled to compensation for his/her work.

7. The articles of association of a company may provide for the position of a spokesperson for the management committee who makes public statements on behalf of the management committee.

**Article 117. Representation**

1. The management committee represents the company in all matters, including judicial and extrajudicial proceedings, and dealings with third parties without a power of attorney.

2. Where the management committee is made up of several persons, the members of the management committee may only represent the company jointly unless the articles of association of the company provide otherwise. To conclude a transaction between third parties (parties to such transaction) and the company, it is sufficient for a party to the transaction to express its will to one of the members of the management committee.

3. The articles of association of a company may provide that specific members of the management committee are authorized to represent the company individually.

4. Members of the management committee, who are authorized to represent a company jointly, have the right to accord specific members of the management committee a right to conclude specific transactions.

5. No limitations may be imposed on the authority of the management committee to represent the company with third parties.

6. Members of the management committee are required to return to the company all which they have received or acquired from third parties during their term of office for the performance by them of duties as members of the management committee, other than all types of compensation and the value of material and organizational support for their activities as envisaged in service agreements.
7. In dealings with a company, the members of the management committee are required to observe the restrictions which are as envisaged by the articles of association of the company or established by the supervisory board or the general shareholders’ meeting, and by the regulations on the management committee regarding management of the company.

The failure of a member of the management committee to observe such restrictions does not entail the invalidity of a transaction concluded by her/him on behalf of the company with third parties, other than when such member of the management committee and the other party to the transaction acted jointly and attempted to cause damage to the company or allowed it to happen. In such case, the supervisory board of the company may, within eighteen months as of the date of such transaction, petition a court demanding such transaction be declared invalid.

8. Information concerning the appointment and dismissal from office of members of the management committee is subject to reflection (registration) in the corporate register and in the state register. The authority of members of the management committee in dealings with third parties remains unchanged until the appropriate registration has been made in the state register, other than when the company or another interested party proves that a third party knew of the dismissal from office of such member of the management committee.

Article 118. Compensation for Members of the Management Committee

1. In pursuance of a resolution of the general shareholders’ meeting, the supervisory board establishes the amount and form of compensation for members of the management committee.

2. The compensation for members of the management committee may take one or several forms (compensation package), e.g., a regular salary, commission fees, reimbursement of specific expenses, the participation of members of the management committee in pension plans and in the insurance of risk, the life or property of the members of the management committee, the provision of stock options or other securities of the company, etc.

3. In establishing the amounts, form(s) and package of compensation for members of the management committee, the supervisory board is required to show care that the overall amount being paid is reasonably commensurate with the duties and the level of responsibilities of a member of the management committee and with the company’s financial position.

4. Where, after the amount and forms of compensation for members of the management committee have been established, a company’s financial position worsens to such a degree that the company is not in a position to effect payments of the established amounts and/or in the established
form(s), the supervisory board has the right to appropriately reduce the amounts of such compensation and/or the forms thereof. If a member of the management committee does not agree with such reduction in his/her compensation and/or the forms thereof, s/he has the right to terminate her/his service agreement concluded with the company by giving it two months' prior notice.

5. Where there are ongoing bankruptcy proceedings against a company, and the administrative receiver demands that the service agreement made with an appropriate member of the management committee be terminated, such member of the management committee may demand the indemnification of damages suffered by her/him as a result of such termination but not for more than twelve months after termination of the agreement.

6. The chairperson of the supervisory board is required to inform the general shareholders' meeting of the principles for determining the compensation for members of the management committee.

Article 119. Conflict of Interest

1. Each member of the management committee is required to serve the lawful interests of the company and perform its functions solely in the interests of the company. S/he does not have a right to pursue personal goals or make managerial decisions based on personal interest nor does s/he have a right to use business opportunities and proposals intended for the company in his/her own interests.

2. During his/her entire term of office, a member of the management committee is required to unwaveringly adhere to the principle of non-competition. Without the authorization of the supervisory board, a member of the management committee does not have the right to engage in commercial business and to conclude transitions for its own account or for the account of third parties in the line of the company's business.

3. Without the authorization of the supervisory board, a member of the management committee does not have the right to become an officer or a bankruptcy receiver in another legal person, a participant of a business partnership or a major shareholder in other companies.

4. During his/her term of office, a member of the management committee does not have the right to receive or to demand compensation or benefits from third parties, in connection with his/her work, for herself/himself or for other persons, or provide to third parties or to demand that they be provided with unwarranted benefits.

5. If a member of the management committee fails to comply with the prohibitions set forth in the present Article, the company may demand indemnification of damages or reformation of transactions concluded by
such member of the management committee in the name of the company and the transfer to the company of all amounts and objects of compensation and/or other income from such transactions or may assign the claims to receive such compensation.

Such claims of the company against a member of the management committee are made by the supervisory board.

6. The statute of limitations for such claims of a company is three months from the moment when the remaining members of the management committee and/or members of the supervisory board knew about the acts of a member of the management committee which required other corporate officers to take measures to indemnify the damage suffered by the company. The statute of limitations for such claims expires five years from the moment when they arose irrespective of whether information about such acts became available.

7. Each member of the management committee is required to disclose and provide the supervisory board with information about the circumstances of a conflict of interest and to inform the other members of the management committee thereof.

8. Agreements between a company and members of the management committee must include special non-compete provisions, including a prohibition against engaging in the same activities as those of the company (engaging in individual business activities or holding managerial positions with competitor organizations, or having an interest in the capital or property of competitor organizations or in another form), for the entire term of office of the member of the management committee and, also, after expiration of such term of office of the member of the management committee. In the latter case, the period during which such a prohibition remains in effect may not exceed two years.

**Article 120. Provision of Loans or Credit Facilities to Members of the Management Committee**

1. A company has the right to grant loans or credit facilities to members of the management committee only on the basis of a resolution of the supervisory board.

2. Such resolution must envisage the payment of interest and repayment of the loan.

3. A resolution of the supervisory board is also required for the provision of loans and credit facilities to close relatives of a member of the management committee.
Article 121. Relations with the Supervisory Board

1. The management committee and the supervisory board are required to cooperate closely with each other in the interests of the company.

2. The management committee agrees with the supervisory board the company’s strategic direction of business operations and regularly discusses with it measures for implementing such strategy.

3. The management committee is required to report to the supervisory board:
   1) not less than once a year on the proposed strategic direction and other principal matters related to the company’s development and its operations (financial, investment planning and planning employment levels), including submission of information on deviations of the actual development process from the targets set forth in previous reports, and indicating the reasons for such deviations;
   2) on the company’s profitability and raising of additional capital (at meetings of the supervisory board held to discuss the company’s annual report);
   3) not less than once each quarter on the state of affairs, specifically on trade turnover and position of the company;
   4) on transactions that may be material in terms of liquidity or profitability of the company, ensuring where appropriate that such information be made available to the supervisory board on a timely basis so that it can render its opinion prior to the conclusion of the transactions.

4. Reports of the management committee, intended for the supervisory board, must be in writing.

5. Proper provision of the supervisory board with appropriate information constitutes a general obligation of the management committee and the supervisory board.

6. The supervisory board may demand, at any time, that the management committee and/or an individual member of the management committee provide a report on the company’s position and on its legal and business relations with its subsidiaries that may have a significant effect on the company’s position. No individual member of the supervisory board has a right to demand that a member of the management committee provide such report.

7. Members of the management committee are liable for the accuracy and completeness of reports which have been prepared.

8. Each member of the supervisory board has the right to review the management committee’s reports.
Article 122. Obligations of the Management Committee in Case of Emergency

1. The management committee is required to promptly convene a general shareholders’ meeting where, in preparing an appropriate annual or interim balance sheet, it has been determined or one can reasonably believe that the company has suffered losses of one-half of the charter capital of the company.

2. Where a company becomes insolvent or there is an excess of its liabilities over its assets, the management committee is required to apply for institution of bankruptcy proceedings against the company within three weeks after the company became insolvent or after such excess of liabilities over assets was identified.

3. After a company becomes insolvent or after excess of liabilities over assets was identified, no payments may be made or transactions concluded on behalf of the company, and it must act in strict compliance with the bankruptcy legislation.

Article 123. Deputy Members of the Management Committee

1. Members of the management committee may have deputies.

2. The rules governing the legal status of members of the management committee also apply to deputy members of the management committee.

V. Board of Directors

Article 124. General

1. The board of directors is the management and supervisory body of joint-stock companies that have neither a supervisory board nor a management committee (monistic management system).

2. The board of directors is responsible for management and supervision activities. At its own discretion, it adopts resolutions albeit solely in the interests of the company and its subsidiaries with the goal of ensuring the stability and continuously improving the economic position of the company.

Article 125. Competence of the Board of Directors

1. Unless otherwise provided by the present Law and the articles of association of a company, the scope of the exclusive competence of the board of directors includes the following:

   1) determine the top-priority and strategic areas of the company’s operations;
2) convene annual and extraordinary general shareholders' meetings, approve the agendas of general shareholders' meetings;

3) fix the date, make a list of persons entitled to attend the general shareholders’ meeting, and determine other matters within the competence of the board of directors in connection with preparations for and holding of general shareholders’ meetings;

4) increase the amount of the charter capital of the company through offering of additional shares of stock of the company with the limits of the number and categories (types) of authorized shares of stock where, pursuant to the present Law, the articles of association of the company stipulate that such matters are within its competence;

5) preliminary approval of the company’s annual financial statements;

6) recommendations regarding the amount of dividends for shares of stock and the procedures for distribution thereof;

7) the terms and conditions upon which the company’s bonds and derivative securities are issued;

8) the number of members and term of office of the executive body, elect its chief and members (person who is a sole executive body) and early termination of their authority;

9) salaries and terms and conditions of payment of compensation and bonuses to the chief and the members of the executive body (the person who is a sole executive body).

10) the procedure governing the work of the internal accounting service, and the size and terms and conditions of payment of compensation and bonuses to the personnel of the internal accounting service;

11) the fees of appraisers and corporate accountants;

12) documents that govern the company's internal activities (other than those adopted by the executive body to organize the company's operations);

13) open and close branch and representative offices of the company and regulations governing their operations;

14) adopt resolutions on the participation of the company in creating and operating other organizations;

15) select the corporate registrar;

16) determine the information relating to the company or its operations constituting an commercial, trade or other secret protected by a law;

17) adopt resolutions on the conclusion of transactions as envisaged by the present Law or by the articles of association of the company;
18) other matters as envisaged by the present Law and the articles of association of the company that have not been delegated to the exclusive scope of the general shareholders' meeting.

2. Matters enumerated in clause 1 of the present Article may not be referred for resolution to the executive body.

3. The board of directors is not entitled to decide on matters which, pursuant to the articles of association of a company, are within the competence of its executive body or to adopt resolutions that contravene those of the general shareholders' meeting.

Article 126. Composition of the Board of Directors and Election of its Members

1. The members of the board of directors are elected by the general shareholders' meeting pursuant to the procedure established by the present Law and the articles of association of a company for a period of up to three years and are re-elected at the annual general shareholders' meeting that immediately follows the expiration of the term of office of such members of the board of directors, and authority of the board of directors lasts until a new board of directors is elected at an annual general shareholders' meeting.

2. The first composition of the board of directors is appointed at the time of the formation of the company, and this first composition must be set down in the articles of association of the company.

3. Persons elected to the board of directors may be re-elected for an unlimited number of times. The general shareholders' meeting may adopt a resolution on the early termination of the term of office of all members of the board of directors at any time.

4. Only a natural person may be a member of the board of directors. A shareholder of a company may not be a member of the board of directors. The chief of the executive corporate body (the person who is a sole executive body) may be elected as a member of the board of directors.

5. The number of members in the board of directors is established by the articles of association of a company but may not be less than three. Not less than one-third of the number of the board of directors must independent directors.

In electing an independent director, the shareholders who elect her/him must assess her/his independence of corporate officers, affiliates, and major counterparties of the company, and the absence of relationships with the company capable of affecting the unbiased nature of her/his opinions. A person is not and may not be elected as an independent director of the company when s/he:
(a) is an officer of the joint-stock company or used to be an officer of such joint-stock company during the five years prior to her/his appointment to the appropriate position; or

(b) is an employee of the joint-stock company or an affiliate thereof or used to be such employee during the three years prior to her/his election as an independent director with the exception of the instances where s/he was not an employee of the joint-stock company or was elected to the board of directors upon the motion of the employees (personnel [trudovoi kollektiv]) of such joint stock company; or

(c) receives or used to receive during the five years prior to her/his election as an independent director, and at any time during her/his term of office as an independent director any form and/or type of compensation from the company or its affiliate for the performance of the duties of a member of the board of directors of such company; or

(d) during the five years prior to her/his election as an independent director and at any time during her/his term of office as an independent director, s/he represents or used to represent a major shareholder in the company under an agreement or upon any other legal basis; or

(e) has or had, during one year prior to her/his election as an independent director, any material business or other commercial relations with the company or any affiliate thereof;

(f) is or was, during three years prior to her/his election as an independent director, a partner, officer or employee of the current or future external accountant of the company or other affiliate of such external accountant,

(g) is a close relative of a major shareholder or officer of the company.

6. Members of the board of directors are elected by a cumulative vote. A shareholder is entitled to cast all of his/her votes attributed to the shares of stock held by her/him for one candidate or distribute them amongst several candidates to the board of directors. The candidates with the most votes are deemed to be elected to the board of directors. Where there is a tie vote between two or more candidates for one vacancy on the board of directors, additional voting is held as regards these candidates.

7. The articles of association of a company [alternatively: domestic legislation] may provide for the right of the company’s personnel to appoint one-third of the members of the board of directors. Such election (appointment) of members of the board of directors by the company’s personnel is exercised pursuant to a collective bargaining agreement.

8. The executive corporate body is required to publish information on the dismissal from office of a member of the board of directors and
the election of a new member of the board of directors, and to ensure the reflection (registration) of these changes in the composition of the board of directors in the corporate register and/or state register.

Article 127. Chairperson of the Board of Directors

1. The chairperson of the board of directors is elected from amongst the members of the board of directors by such members by a majority of votes of the total number of members of the board of directors unless the articles of association of a company require otherwise.

2. The chief of the executive body (the person fulfilling the functions of the sole executive body) may not be elected chairperson of the board of directors and may not act as the chairperson of the board of directors in her/his absence.

3. The board of directors is entitled to elect its chairperson, by a majority of votes of the total number of members constituting the board of directors, at any time unless the articles of association of the company require otherwise.

4. The chairperson of the board of directors organizes its work, convenes and chairs meetings of the board, organizes the compilation of the minutes at such meetings, and chairs general shareholders’ meetings unless the articles of association of the company require otherwise.

5. In the absence of the chairperson of the board of directors, his duties are performed by one of the members of the board of directors by a resolution of the board of directors of the company.

Article 128. Meetings of the Board of Directors

1. Meetings of the board of directors are held not less than once a quarter. The chairperson of the board of directors is required to ensure that meetings of the supervisory board are held not less than once a quarter.

2. A meeting of the board of directors may be convened at the sole discretion of the chairperson of the board of directors of the company, upon demand of any member of the board of directors or executive body of the company as well as other persons as set forth in the articles of association of the company.

3. A demand to convene a meeting of the board of directors is submitted to the chairperson of the board of directors by giving an appropriate written notice containing the proposed agenda of such meeting of the board of directors.

Where the chairperson of the board of directors refuses to convene a meeting, the initiating party is entitled to file the aforementioned demand with the executive body, which is required to convene a meeting of the board of directors.
The chairperson of the board of directors or the chief of the executive body must convene a meeting of the board of directors not later than ten days after the filing of a demand to convene such meeting unless the articles of association of the company provide for another period of time.

The person demanding a meeting of the board of directors must be invited to attend the meeting thereof.

4. Written notices of meetings of the board of directors being convened, with materials related to the agenda of such meetings being attached thereto, must be delivered to the members of the board of directors not later than three days prior to such meetings unless the articles of association of the company require otherwise.

A notice of a meeting of the board of directors must indicate the date, time and venue of such meeting and the agenda thereof.

5. A member of the board of directors is required to notify the executive body in advance about the impossibility of her/his attending a meeting of the board of directors.

6. The existence of a quorum at a meeting of the board of directors is established pursuant to the articles of association of a company but must not be less than one-half of the number of members of the board of directors.

Where the total number of members of the board of directors is insufficient for reaching a quorum as set forth in the articles of association of a company, the board of directors is required to convene an extraordinary general shareholders' meeting to elect new members of the board of directors. The remaining members of the board of directors are entitled to adopt a resolution solely about the convening of an extraordinary general shareholders' meeting.

7. Each member of the board of directors has one vote. Resolutions of the board of directors are adopted by a simple majority of votes of the members of the board of directors attending such meeting unless the present Law or the articles of association of a company require otherwise.

The articles of association of a company may provide that, in the event of a tie vote, the chairperson or the person chairing a meeting of the board of directors has the decisive vote.

8. The articles of association of a company and/or a collective bargaining agreement may provide for representatives of the employees of the joint-stock company, who have been elected by the personnel [trudovoi kollektiv] pursuant to a collective bargaining agreement, to attend meetings of the board of directors with an advisory vote.
9. The board of directors is entitled to adopt a resolution on holding a closed meeting of the board which may only be attended by the members of the board of directors.

10. The articles of association of a company and/or the internal documents of the company may provide for the possibility for the board of directors to adopt resolutions on matters submitted for review by the board of directors by voting \textit{in absentia} and the procedure for adopting such resolutions.

A resolution at a meeting \textit{in absentia} is deemed to be adopted where there is a quorum amongst the ballots which are received in due time.

A resolution adopted by the board of directors \textit{in absentia} must be put in writing and signed by the secretary and chairperson of the board of directors.

Within twenty days of its making, a resolution must be directed to the members of the board of directors along with the ballots as appendices on the basis of which such resolution was adopted.

11. Minutes are kept of a meeting of the board of directors. The minutes of a meeting of the board of directors of a company are compiled not later than three days after the holding thereof.

The minutes of a meeting must indicate:
1) the venue, date and time of such meeting,
2) the persons attending the meeting;
3) the agenda of the meeting;
4) the matters put to a vote and the outcomes of voting thereon;
5) the resolutions which are adopted.

The minutes of a meeting of the board of directors are signed by the chairperson of the board of directors and, whenever s/he does not attend, by the person chairing such meeting who is responsible for the accuracy of compiling the minutes.

12. A member of the board of directors who did not take part in the voting or who voted against a resolution adopted by the board of directors in violation of the procedure established by the present Law or the articles of association of a company is entitled to appeal such resolution to a court where such resolution infringes her/his rights and lawful interests. Such claim must be filed with the court within one month following the day upon which the member of the board of directors knew or should have known about the resolution which had been adopted.

\textit{Article 129. Delegation of Functions to the Executive Body}

1. The board of directors may delegate the direction of the company's current operations to the executive body or to a person performing the functions of sole executive body. The person who is the sole executive
body or the director of the executive body is referred to as the company’s
general director. Members of the executive body, depending on their
sphere of activity, are referred to as directors—financial director, market-
ing director, etc. The procedure for the delegation of powers and the list
of matters upon which the executive body adopts resolutions must be set
forth in detail in the articles of association of the company.

2. The board of directors appoints the general director or members
of the executive body (directors) from amongst the board of directors as
well as from amongst third parties.

3. The general director and members of the executive body (directors)
conclude service agreements (corporate agreements) which are signed by
the chairperson of the board of directors on behalf of the company.

4. The board of directors may dismiss the general director and/or
members of the executive body from office at any time. The provisions
of the Civil Code on contracts are applied to the requirements set forth
in a service agreement (corporate agreement). Termination of such agree-
ment is made pursuant to a resolution to dismiss the general director or
a member of the executive body from office.

5. The competencies of the executive body (or the person fulfilling
the functions of the executive body) of the company may include all mat-
ters related to the direction of the company’s current operations other
than those falling within the competencies of the general shareholders’
meeting and the board of directors of the company.

6. No limitations may be imposed on a general director’s authority
to represent the company before third parties.

7. In their dealings with a company, the general director and members
of the executive body are required to observe the restrictions as envisaged
in the articles of association of the company and as imposed by the board
of directors and the general shareholders’ meeting and the regulations on
the executive body on matters of managing the company.

A violation by the general director or by members of the executive
body of such restrictions does not render any transaction invalid which s/
he/they have concluded on behalf of the company with third parties with
the exception of those instances when s/he/they and the other party to the
transaction jointly sought to cause damage to the company. In this case,
the board of directors of the company may declare the transaction invalid
within eighteen months from the date of the conclusion thereof.

8. The board of directors has the right to issue instructions to the
general director and members of the executive body on specific questions
regarding the current operations of the company.
Article 130. Powers of the Chief of the Executive Body—General Director

1. Where an executive body is formed to direct a company’s current operations, the board of directors appoints the chief of such body—the general director.

2. The general director, pursuant to the articles of association of a company or the regulations on the executive body, apportions the functions amongst members of such executive body—the directors of the company—and ensures that they properly perform their functions.

3. The chief of the executive body:
   1) organizes the fulfilment of resolutions adopted by a general shareholders’ meeting and the board of directors;
   2) issues powers of attorney to represent the company before third parties;
   3) employs, assigns and dismisses the company’s employees (except for cases established by the present Law), provides incentives and imposes disciplinary penalties, establishes salaries of the company’s employees and personal bonuses paid in addition to salaries in accordance with the corporate organizational chart, determines amounts of premiums payable to the company’s employees except for employees who are part of the executive body and the company’s internal accounting service,
   4) in her/his absence, imposes upon one of the members of the executive body the performance of her/his duties;
   5) assigns duties as well as the sphere of authority and responsibility amongst members of the executive body;
   6) exercises other functions pursuant to the articles of association of the company and the resolutions of a general shareholders’ meeting and of the board of directors.

4. The appointment and the dismissal of the general director and members of the executive corporate body from office are reflected (registered) in the corporate register and in the state register. The authority of the general director and members of the executive body of the company, in dealings with third parties remain unchanged, until the appropriate registration is made in the state register other than when the company or other interested party proves that a third party knew of the dismissal from office of the general director or member of the executive body.

Article 131. Compensation for the General Director and Members of the Executive Body

The general director and members of the executive corporate body are compensated in an amount and in the procedure pursuant to the
provisions of the company’s internal documents governing payment of compensation to the members of the management committee.

Article 132. Internal Accounting Service

1. A company must have an internal accounting service to monitor its financial and business performance.
2. Employees of the internal accounting service may not be elected as members of the board of directors or of the executive body of the company.
3. The internal accounting service is directly subordinate to the board of directors regarding its work and reports thereto.

Article 133. Conflict of Interest

1. The chairperson and members of the board of directors, the general director and members of the executive body are required to serve the lawful interests of the company and perform their functions solely in the interests of the company. They do not have a right to pursue personal goals or make managerial decision based on personal interest nor do they have a right to use business opportunities and proposals intended for the company in their own interests.
2. During their entire term of office, the chairperson and members of the board of directors, the general director and members of the executive body are required to unwaveringly adhere to the principle of non-competition. Without the authorization of the board of directors, the general director and members of the executive body do not have the right to engage in commercial business and to conclude transitions for their own account or for the account of third parties in the line of the company’s business.
3. Without the authorization of the board of directors, the general director and members of the executive body do not have the right to become officers or bankruptcy receivers in another legal person, participants in a business partnership or major shareholders in other companies.
4. During their term of office, the chairperson and members of the board of directors, the general director and members of the executive body do not have the right to receive or to demand compensation or benefits from third parties, in connection with their work, for themselves or for other persons, or provide to third parties or to demand that they be provided with unwarranted benefits.
5. If the general director or members of the executive body fail to comply with the prohibitions set forth in the present Article, the company may demand indemnification of damages or reformation of transactions concluded by the general director and/or a member of the executive body.
in the name of the company and the transfer to the company of all amounts and objects of compensation and/or other income from such transactions or may assign the claims to receive such compensation. Such demands of the company against the general director and members of the executive body are made by the board of directors.

6. The statute of limitations for such claims of the company is three months from the moment when the remaining members executive body and/or members of the board of directors knew about the acts of the general director or members of the executive body which required other corporate officers to take measures to indemnify the damage suffered by the company. The statute of limitations for such claims expires five years from the moment when they arose irrespective of whether information about such actions became available.

7. The general director and each member of the executive body are required to disclose and provide the board of directors with information about the circumstances of a conflict of interest and inform the other members of the executive body thereof.

8. Agreements between a company and the chairperson and members of the board of directors, the general director and members of the executive body must include special non-compete provisions, including a prohibition against engaging in the same activates as those of the company (engaging in individual business activities or holding managerial positions with competitor organizations, or having an interest in the capital or property of competitor organizations or in another form) during the entire term of office as corporate officers and, also, after expiration of such term of office as corporate officers. In the latter case, the period during which such a prohibition remains in effect may not exceed two years.

**Article 134. Obligations of the Board of Directors in Cases of Emergency**

1. The board of directors is required to promptly convene a general shareholders’ meeting where, in preparing an appropriate annual or interim balance sheet, it has been determined or one can reasonably believe that the company has suffered losses of one-half of the charter capital of the company.

2. Where a company becomes insolvent or there is an excess of its liabilities over its assets, the board of directors is required to apply for the institution of bankruptcy proceedings against the company within three weeks after the company became insolvent or after such excess of liabilities over assets was identified.

3. After a company becomes insolvent or after an excess of liabilities over assets was identified, no payments may be made or transactions
concluded on behalf of the company, and it must act in strict compliance with bankruptcy legislation.

VI. Responsibility of Corporate Officers

Article 135. Grounds for Liability

1. Corporate officers are required to act reasonably [razumno] and in good faith [dobrosovestno] in the interests of the company and to perform their duties imposed upon them by domestic legislation, the articles of association of the company or by a service agreement.

2. They are required to indemnify the company for losses incurred by the company as a result of their wrongful failure to perform their duties referred to in Clause 1 of the present Article. Where the failure to perform duties results from the acts or omissions of several officers, they are jointly liable to the company. Officers voting against a resolution that has resulted in losses for the company, or those who did not take part in such voting for mitigating reasons, are not liable to the company. The burden of proof that the officers did not violate their duties in managing the company’s activities rests with such officers.

3. A failure is deemed to be wrongful [vinovnym] when corporate officers did not undertake, with a due level of care [zabotlivost'] and diligence [osmostritel'nost’], all the measures required to prevent the occurrence of such failure. Where there is a violation of duties, the presence of fault [vina] is assumed under domestic legislation, the articles of association of the company or a service agreement.

4. Neither the articles of association of a company nor a service agreement may exempt corporate officers from their liability to indemnify the company for losses where such losses were incurred as a result of their failure to perform their duties under the service agreement.

5. Corporate officers are liable to indemnify a company for losses regardless of their fault, where contrary to the requirements of the present Law:
   1) shareholders’ investments [the amounts of such investments] made to the charter capital were returned to them;
   2) dividends were distributed amongst shareholders;
   3) transactions were concluded which resulted in ownership of property of the company being transferred to third parties;
   4) loans or credit facilities were granted to the corporate officers.

Translator’s note: These square brackets appear in the original Russian-language version of the Model Law.
6. Corporate officers are not required to indemnify the company for losses, incurred as a result of a commercial (business) resolution, where such resolution was adopted on the basis of sufficient and proper information by impartial persons who are not personally interested in such resolution and where there was a basis for believing that such resolution would serve the interests of the company.

7. The statute of limitations of claims made under the present Article is five years.

**Article 136. Liability of Officers Initiated by the Bodies of a Company**

1. A general shareholders’ meeting, the supervisory board and management committee (board of directors) and executive body (the person fulfilling the functions of the executive body) of the company within their competence, have the right to demand indemnification of losses incurred by the company as a result a failure of corporate officers to perform their duties under service agreements.

2. The management committee is required to demand that members of the supervisory board indemnify the company for losses incurred by the company as a result of their failure to perform their duties.

3. The supervisory board is required to demand that members of the management committee indemnify the company for losses incurred by the company as a result of their failure to perform their duties.

4. The board of directors has the right and is required to demand that members of the board of directors and executive body (the person fulfilling the functions of the executive body indemnify the company for] losses incurred by the company as a result of their failure to perform their duties. The members of the board of directors, against whom such demand must be made, do not participate in adopting the resolution holding them liable.

5. A general shareholders’ meeting may adopt resolution and require members of the management committee and members of the supervisory board (members of the board of directors) to demand that corporate officers indemnify the company for losses incurred as a result of their wrongful acts. Such resolution is adopted by a simple majority of votes. The persons, as regards whom such resolution is being adopted, do not participate in the voting thereon. The resolution must be fulfilled within six months from the date of its adoption. A general shareholders’ meeting also may appoint a special representative who is required to bring the company’s appropriate claims against corporate officers.
Article 137. Liability of Officers Initiated by Company Shareholders

1. A shareholder or shareholders who jointly own not less than 1% of a company's voting shares have a right to petition a court and file a lawsuit against corporate officers for the indemnification of losses incurred by the company as a result of a failure of such officers to perform their duties to direct the company.

2. The court hears such an action where:
   1) the shareholders prove that they acquired their shares prior to knowing or prior to when they should have known about possible violations of managers' duties and the losses incurred by the company as a result thereof;
   2) the shareholders prove that they already have petitioned the bodies of the company to institute a lawsuit against those who are at fault but that such attempts have been unsuccessful;
   3) there are circumstances intensifying a suspicion that the company suffered losses as a result of violations of domestic legislation or the articles of association of the company;
   4) satisfying the lawsuit for indemnification of damages will not be injurious to the company's interests.

3. Prior to deciding upon the admissibility of such lawsuit, the court is required to invite the defendant and to hear her/his arguments and objections against such an action.

4. A company represented by its bodies, at any time, has the right to replace its shareholders in such proceedings and to file a lawsuit for indemnification of losses itself. The court must invite the shareholders who are claimants to attend the hearings on this matter.

Where a court proceeds to hear the lawsuit filed by the shareholders, reimbursement for costs during this stage of the proceedings are imposed upon the company, and the company is required to reimburse legal costs regardless of the judgment rendered by the court in the shareholders' lawsuit.

Chapter VIII. Corporate Transactions with Special Conditions

I. Transactions with Conflict of Interest

Article 138. Definition of a Corporate Conflict-of-Interest Transaction

1. Corporate conflict-of-interest transactions are those transactions where, given the available facts and/or the existing circumstances, there
are grounds to believe that parties to such transactions act or might act not only in the company's interests. A corporate conflict-of-interest transaction is specifically deemed to be a transaction or a number of related transactions in relation to which interested parties:

1) have the right to take part in adopting resolutions to conclude such transactions;

2) at the same time, may have a property interest in such transactions that do not coincide with the company's interests.

2. The issue and offer of any additional shares by a company is not deemed to be a conflict-of-interest transaction.

3. A person having an interest in the conclusion by the company of a transaction is deemed to be a major shareholder or a corporate officer who simultaneously:

1) is a shareholder who solely or jointly with its affiliates holds over 10% of the voting shares, an equity stakes with a voting right in the capital of a counterparty of the company to such transaction or is the fully responsible member [участник с полной ответственностью] of such counterparty; or

2) is a corporate officer of the counterparty to such transaction; or

3) is the company's counterparty in such transaction or in a number of related transactions; or

4) represents the company's counterparty in such transaction or in a number of related transactions or acts as an intermediary in such transactions;

5) is a person affiliated to persons set forth in Subparagraphs 1, 2, 3, 4, Clause 3 of the present Article.

4. A person having an interest in transactions concluded by a company is required, not less than once a year, to submit information in writing to the company's board of directors (supervisory board) sufficient for the timely identification of corporate conflict-of-interest transactions.

5. A person having an interest in a transaction concluded by a company, prior to concluding such transaction, is required to notify the body of the company, in the competence of which is the adoption of resolutions to conclude such transactions, about its interest in the transaction and its conflict of interest.

Article 139. Resolutions to Conclude Conflict-of-Interest Transactions

1. A conflict-of-interest transaction may be concluded or amended only upon a resolution adopted by the board of directors or by a general shareholders' meeting as envisaged by the present Law and by the articles of association of the company.

2. Prior to concluding a conflict-of-interest transaction, a determination must be made that the procedures have been observed for estimating
the market value of the property which is the object of the transaction. Unless otherwise specified in the articles of association of a company, the property’s market value is determined by a resolution adopted by the supervisory board (board of directors) pursuant to the opinion letter of an independent appraiser.

3. A resolution of the board of directors to conclude a conflict-of-interest transaction must be unanimously adopted by those members of the board of directors who are not interested persons in such transaction.

4. Where over one-half of the elected members of a company’s board of directors are interested persons in concluding a transaction, such transaction may only be concluded upon a resolution adopted by a general shareholders’ meeting.

5. A resolution of a general shareholders’ meeting concerning the conclusion of a conflict-of-interest transaction, pursuant to the present Law or to the articles of association of the company, is adopted by a majority of the votes cast by those who are not interested persons in the conclusions of such transaction.

6. An interested person in the conclusions of such transaction must temporarily leave the meeting of the board of directors or the general shareholders’ meeting where there is open voting about the conclusion of such transaction for the duration of such voting. The presence of such person at the meeting of the board of directors or at the general shareholders’ meeting, adopting the resolution about the conclusion of a conflict-of-interest transaction, is counted in determining a quorum, but such person does not participate in the voting.

7. Where the board of directors or the general shareholders’ meeting of a company did not know of all the circumstances associated with the conclusion of a conflict-of-interest transaction but, thereafter, knows of such circumstances and/or such transaction has been concluded in violation of other provisions of the present Article, the board of directors or the general shareholders’ meeting is entitled to demand that the executive body of the company (management committee):

1) repudiate the conclusion of such transaction or demand that it immediately be terminated early; or

2) in the manner established by legislation, ensure that the interested person indemnify the company for the losses which it suffered as a result of the conclusion of such transaction.

8. A declaration of invalidity of resolutions adopted by a corporate bodies to approve (engage in) such transactions does not result in the invalidity of a transactions in which there is a conflict-of-interest provided
that such resolutions have been appealed separately from contesting the appropriate transactions of the company.

9. Conflict-of-interest transactions are void *ab initio* where, as a result thereof, damage is inflicted upon a company and where the corporate management committee (board of directors) wilfully acted to cause the damage to the company about which the other party to such transaction knew or should have known.

10. Where, in concluding a transaction in which there is a conflict of interest, the provisions of the present Article have been violated, it is presumed that interested persons of the company have acted wilfully to the damage the company’s property interests.

II. Major Transactions

*Article 140. Major Transaction*

1. The management committee (executive body) or the board of directors of a company, prior to the conclusion of a major transaction, is required to obtain consent of the supervisory board (board of directors) or the general shareholders’ meeting (whichever body is competent to conclude such transactions under the articles of association of the company).

A major transaction is deemed to be a transaction or a number of transactions which are related by one purpose, or transactions characterized by their successive nature connected with the acquisition or alienation, or the possibility of the acquisition of alienation, directly or indirectly of property the value of which is or exceeds 25% of the book value of a company’s assets calculated on the basis of its accounting statements of the most recent accounting data with the exception of transactions concluded in the course of the company’s ordinary business, transactions providing for subscribing (selling) a company’s common shares of stock, and transactions associated with an offer by the company of securities convertible into the company’s common shares of stock. The articles of association of the company may specify other instances in which, during the conclusion of a transaction, the procedure is applied for approving major transactions as envisaged by the present Law.

In the event of the alienation or the possible alienation of property, the book value of such property, determined according to accounting data, is juxtaposed with the book value of a company’s assets, and in the event of the acquisition property—the cost of acquisition thereof.

2. In order for the supervisory board (board of directors) or the general shareholders’ meeting of a company to adopt a resolution approving a major
transaction, the price of the acquired or alienated property (services) is set by the supervisory board (board of directors) of the company.

**Article 141. Procedure for Approving a Major Transaction**

1. A resolution to approve a major transaction the object of which is property, the value of which ranges from 25% to 50% of the book value of a company’s assets, is adopted unanimously by all members of the supervisory board (board of directors) of a company; however, the votes of members the supervisory board (board of directors) who have retired or been dismissed from office are not counted.

2. Where the supervisory board (board of directors) of a company is not unanimous in adopting a resolution to approve a major transaction, the matter of approving the major transaction may be referred to the general shareholders’ meeting by a resolution of the supervisory board (board of directors). In this case, a resolution approving the major transaction is adopted by the general shareholders’ meeting by a majority of the votes cast by the holders of voting shares of stock attending such general shareholders’ meeting.

3. A resolution approving a major transaction the object of which is property, the value of which exceeds 50% of the book value of a company’s assets, is adopted by a general shareholders’ meeting by a majority of 75% of the votes cast by the holders of voting shares of stock attending such general shareholders’ meeting.

4. A resolution approving a major transaction must specify the party (parties) to such transaction, the beneficiary (beneficiaries), the transaction price, the object and any other material terms and conditions thereof.

5. Where a major transaction is also a transaction the conclusion of which involves a conflict of interest, the procedure for the conclusion thereof is regulated by the present Article taking into account the requirements of Article 139 of the present Law regarding the impermissibility of the participation, in adopting an appropriate resolution to conclude or to amend such transaction, of an interested person in the conclusion thereof.

6. A major transaction concluded in violation of the requirements, as envisaged by the present Law, regarding the terms and conditions for determining the value of property which is the object of a major transaction, or the procedure for the approval thereof, may be declared invalid upon the lawsuit of a company or of a major or minority shareholder thereof. Where the statute of limitations has expired, it may not be restored. A court dismisses a claim for rendering invalid a major transaction, in violation of the requirements of the present Law, where any of the following circumstances exists:
— the vote cast by a shareholder who has petitioned the court to declare invalid a major transaction, approved by a resolution of a general shareholders' meeting, although s/he/it took part in the voting, could not have affected the voting results;

— it has not been proven that the conclusion of such transaction has entailed or might entail losses for the company or for the shareholder who has petitioned the court or the occurrence of any other adverse consequences for them;

— there is evidence of the approval of said transaction pursuant to the present Law at the moment of the court’s consideration of the matter;

— during the court’s consideration of the matter, it is proven that the other party to such transaction did not know and could not have known that such transaction violated the requirements applicable thereto as envisaged by the present Law.

7. Where a major transaction is also a transaction the conclusion of which involves a conflict of interest, Article 139, Clauses 7-10, of the present Law also is applicable to questions of the validity, early termination, grounds for and consequences of a declaration of invalidity thereof.

**CHAPTER IX. ACCOUNTING, REPORTING, AUDIT AND DISCLOSURE**

*Article 142. Accounting and Reporting*

1. A company keeps accounting records and compiles financial, statistical and any other special reports pursuant to legislation and the company's internal documents.

2. The annual financial report of a company must be verified and approved by an accounting firm within the period of time for submitting reports to competent financial authorities under accounting legislation.

3. The supervisory board (board of directors) and the general shareholders’ meeting of a company are not entitled to approve the annual reports submitted by the management committee (executive body) where such reports are submitted without the company’s annual financial report and an accountant's opinion letter relating thereto.

4. A company is required to ensure that its accounts and reports are kept in such manner and within such time periods as are established by legislation.

5. A company and its officers are liable to the extent established by legislation for:
1) the bad-faith [nedobrosostnovoe] keeping of accounting records and compiling of financial, statistical and other special reports and, also, for including inaccurate or erroneous data therein;

2) failure to keep or the untimely submission of the above reports to the company’s creditors and shareholders or to governmental authorities lawfully authorized to receive such reports; and

3) publishing inaccurate information on the company’s operations or evading the publication of information as envisaged by the present Law.

Article 143. Information on Affiliated Persons

1. Affiliated persons of a company are required to notify the company, in writing, of their affiliation to the company within ten days after the grounds for such affiliation, pursuant to the present Law, have arisen (acquisition of shares of stock in a quantity required to control a company; appointment (election) of an officer of a company; the occurrence of close familial relationships, etc.).

2. Affiliated persons of a company are liable, under legislation, for failing to notify or for failing to notify on a timely basis under Cause 1.

Article 144. Audit

1. A company must undergo an annual audit, the object of which is disclosing the financial and economic performance thereof.

2. An extraordinary audit is held:

1) at any time upon demand of a shareholder of a company at the cost of such shareholder; or

2) according to a court judgment.

3. An accounting firm inspects the bookkeeping accounts and reports of a company pursuant to accounting legislation and an audit agreement. Based on the results of its audit, the accounting firm compiles an audit certificate and an opinion letter.

4. The accounting firm is entitled, under the audit agreement, to demand from the company, and from its registrar, documents connected with the company’s operations.

5. The accounting firm of a company may not be an affiliate of the company or of the registrar of the company.

6. The accounting firm of a company is not entitled to conclude other agreements with the company than the audit agreement.

Article 145. Governmental Supervision of Company Business

1. Duly authorized governmental authorities exercise supervision over a company’s operations as established by legislation.
2. Engaging in supervision must not impede the routine course of company’s business.
3. The basic provisions of an audit certificate and the rulings of governmental authorities, engaged in supervision of a company, must be brought to the general knowledge of the general shareholders’ meeting by the supervisory board (board of directors).

Article 146. Publishing Information of Corporate Business. The Corporate Governance Code

1. Public companies are required to publish reports on company’s operations pursuant to legislation including normative legal acts on securities markets.
2. A company is required to disclose information on its branches registered in other countries, the state registration numbers thereof and the countries in which such branches are registered.
3. The articles of association of a company must specify a hard-copy publication, which must be distributed across the entire territory of the country, in which the reports and information are published as set forth in Clauses 1 and 2 of the present Article or any other information on public companies as envisaged by the present Law.
4. The management committee (board of directors) of a public company annually announces which recommendations set forth in the Model Corporate Governance Code are ones which they have declared to be binding and ones which they will not apply. In the latter instance, the management committee (board of directors) must give an explanation of the reasons thereof.

Article 147. Access for Shareholders and Bondholders to Corporate Documents

1. A company is required to make available for review the following documents to the holders of issued bonds, convertible securities and shareholders:
   1) the memorandum of founding of a company, the articles of association of the company and all changes and additions thereto;
   2) the certificate of registration of the company;
   3) the internal documents of the company and all changes and amendments thereto;
   4) agreements between the company and its registrar and its accounting firm;
   5) the minutes of general shareholders’ meeting and voting ballots;
   6) minutes of meetings of the supervisory board (board of directors) of the company;
7) the list of members of the supervisory board (board of directors), the executive body or any other corporate officers;

8) the list of affiliated persons of the company specifying the basis for the affiliation of each one thereof;

9) the public offering prospectuses for securities of the company, all changes and amendments thereto and the final securities issue and offering reports;

10) data on the monthly volumes and the average prices of transactions registered in the corporate register;

11) financial, statistical and any other special statistics;

12) opinions of the auditing committee, audit certificates and opinion letters of accounting firms; inspection and audit certificates and rulings issued and adopted by governmental authorities exercising supervision over the operations of the company;

13) the annual reports submitted by the supervisory board (board of directors) and annual reports prepared by the corporate auditing committee;

14) correspondence with shareholders;

15) any other documents as established by the articles of association or by the internal documents of the company.

2. A company ensures the safekeeping of the documents enumerated in Clause 1 of the present Articles for a period of three years at the offices of the company or at any other location specified in the articles of association of the company and, also, ensures accessibility thereto for the holders of bond convertible into securities and for shareholders.

3. Upon a demand of a holder of bonds convertible into securities or of a shareholder, a company is required to submit to her/him/it, for a fee, extracts from or copies of documents enumerated in Clause 1 of the present Article and any other documents specified in the articles of association or in the internal documents of the company with the exception of documents constituting a state or commercial secret. The company establishes the amount of the fee charged, but it must not exceed the costs related to making and dispatching extracts, copying documents and mailing costs.
CHAPTER X. CHANGE OF SHAREHOLDERS UNDER SPECIAL CONDITIONS

I. Squeezing out Shareholders

Article 148. Redeeming of Corporate Securities upon Demand of a Holder of over 95% of the Shares of Stock of a Company

1. A person holding more than 95% of the total number of outstanding voting shares of stock of a company, including shares of stock held by such persons and its affiliates, are entitled to redeem voting shares and securities convertible into the company’s voting shares from their holders under the terms and conditions set forth in the present Article.

2. The demands of a person for the redemption of such shares of stock and convertible securities, specified in Clause 1 of the present Article, are forwarded to the company. Such demand for redemption of the securities must specify:

1) the name or designation of the person specified in Clause 1 of the present Article, the place of residence or location of such person and other information pursuant to domestic legislation;

2) the names or designation of the company's shareholders that are affiliated to a person enumerated in Clause 1 of the present Article;

3) the number of the company's shares of stock held by the person specified in Clause 1 of the present Article and its affiliates;

4) the class and types of redeemed securities;

5) the price of the redeemed securities and data evidencing the conformity of the proposed price to Clause 4 of the present Article;

6) the date upon which the listing of holders of redeemed securities was compiled; this date may not be less than forty-five days and not more than sixty days after transmittal of the demand for securities redemption to the company;

7) the procedure of payment for the redeemed securities, including the date for the payment thereof, may not be more than twenty-five days after the date of compiling the list of holders of the redeemed securities or, where the redeemed securities have been subject to attachment, this period commences as of the date when the person specified in Clause 1 of the present Article knew or should have known that the securities have been released from attachment;

8) the notary public to whose deposit account funds will be credited in the event specified in Clause 7 of the present Article.
The demand for redemption of securities must contain a notation, made by a duly authorized agency, as to the date when the preliminary notice pursuant to a law was submitted to it.

A copy of an independent appraiser’s report on the market value of the redeemed securities must be appended to the demand for redemption of securities.

3. The demand for redemption of securities, received by a company, is forwarded to the holders of redeemed securities in the procedure established by a law.

   Where a registrar maintains the corporate register, the company also forwards the above demand to such registrar.

   Where the redeemed securities are the subject of a pledge or encumbrance, the company also forwards the demand for redemption of securities to the holder of the pledge or encumbrance pursuant to information submitted by the registrar and by the nominal shareholders.

   The costs incurred by the company and its registrar are reimbursed by the person specified in Clause 1 of the present Article.

4. Securities are redeemed at a price not lower that their market value which must be set by an independent appraiser. However, such price may not be lower than:

   1) the price at which these securities were acquired through a voluntary or mandatory offer as the result of which a person has become the possessor of more than 95% of the total number of the company’s shares of stock taking into account the shares of stock held by this person and her/his/its affiliates;

   2) the highest price at which the person specified in Clause 1 of the present Article or her/his/its affiliates acquired or undertook to acquire these securities after expiration of the period for accepting a voluntary or mandatory offer, as the result of such acquisition the person has become the possessor of more than 95% of the total number of the company’s shares of stock taking into account the shares of stock held by such person and her/his/its affiliates.

   Payment for redeemed securities is made only in cash.

   A holder of securities who has not accepted the price for the redeemed securities has the right to file a lawsuit with a court for the indemnification of losses caused by the improper determination of the price of the redeemed securities. Such holder of securities may file a lawsuit within six months after learning that the redeemed securities were written off her/his/its personal account (securities account). A lawsuit filed with a court by the holder of securities constitutes grounds for suspending redemption of the securities or for declaring such redemption to be invalid.
5. Within fourteen days after compiling a list of the holders of the redeemed securities, a company is required to submit said list to the person specified in Clause 1 of the present Article.

The list of the holders of redeemed securities is compiled pursuant to the corporate register as of the date specified in the demand for redemption of the securities. For the purpose of compiling the list of holders of securities, a nominal holder of securities submits data on the persons on whose behalf s/he/it holds such securities.

As of the date of compiling a list of the holders of redeemed securities, the rights to the redeemed securities may not be assigned and the redeemed securities may not be encumbered. As of the date specified in the demand for redemption of the securities, all operations involving redeemed securities in the corporate register and appropriate securities accounts are blocked.

The restrictions imposed on disposal of redeemed securities are lifted in the event that the person enumerated in Clause 1 of the present Article does not submit documents, to the keeper of the corporate register, attesting to payment for the redeemed securities in the procedure established in the present Article.

6. The holder of redeemed securities is entitled to notify the person, specified in Clause 1 of the present Article, of the details of its banking account to which payment for the redeemed securities must be made or the address to which payment of the funds, by mail transfer, must be made for the redeemed securities. However, the application is deemed to have been sent on a timely basis where it is received by the person specified in Clause 1 of the present Article no later than the date upon which the list of the holders of redeemed securities was compiled and which [date] is specified in the demand for redemption of the securities.

7. The person specified in Clause 1 of the present Article is obliged to make payment for the redeemed securities to the banking details or the address as indicated in the application by holders of securities appearing on the list of holders of redeemed securities as of the date specified in the demand for redemption of the securities.

The person specified in Clause 1 of the present Article, who has not received, in due time, applications from said holders of the securities or where the necessary information on the banking details, or the address to which mail transfer of the monetary funds is to be made, is missing from these applications, is required to transfer money for the redeemed securities to a deposit account of a notary public at the company’s location. Where a nominal holder has failed to submit information on the persons on whose behalf s/he/it holds the securities, the person specified
in Clause 1 of the present Article is required to transfer money for the redeemed securities to such nominal holder. The transferred monetary funds to such nominal holder are deemed to be proper performance of the payment obligation.

8. Within three days after receiving evidence of payment for redeemed securities submitted by the person specified in Clause 1 of the present Article, the registrar is required to write off such redeemed securities from the personal accounts of the appropriate holders or nominal holders and to credit these to the personal account of the person specified in Clause 1 of the present Article. Writing off redeemed securities from a nominal holder’s personal account, in the procedure established in the Article, constitutes grounds for the nominal holder to make an entry of the termination of rights to the appropriate securities kept in the securities account of the client (depositor) without being instructed by the latter.

II. Redeeming Shares upon Demand of Shareholders

Article 149. Redeeming of Corporate Securities by a Holder of More than 95% of Shares of Stock in a Company upon Demand of Shareholders

1. A person holding more than 95% of the total number of company’s voting shares of stock taking into account shares of stock held by such person and her/his/its affiliates is required to redeem the remaining voting shares of the company held by other persons and securities convertible into such voting shares of stock upon demand of the holders thereof.

2. Within thirty-five days after acquiring the appropriate share of securities, the person specified in Clause 1 of the present Article is required to notify the shareholders and the holders of the appropriate convertible securities, who are entitled to demand the redemption of such securities, that they are entitled to demand the redemption thereof.

Such notice of the right to demand redemption of securities must specify:

1) the name or designation of the person specified in Clause 1 of the present Article and other information pursuant to domestic legislation as well as the place of residence or location of such person;
2) names or designation of the company’s shareholders who are affiliated persons to the person specified in Clause 1 of the present Article;
3) the number of the company’s voting shares held by the person specified in Clause 1 of the present Article and the affiliated persons thereof;
4) the price of the redeemed securities, or the procedure for the calculation thereof, and the substantiation thereof;
5) the procedure for making payment for the redeemed securities;
6) the mailing address to which demands for redemption of the securities must be sent;
7) information on the person specified in Clause 1 of the present Article subject to disclosure in the securities transfer order;
8) information on the guarantor who has provided a banking guarantee pursuant to the Clause 3 of the present Article and the terms and conditions of the banking guarantee.

Where an independent appraiser appraises the market value of the redeemed securities, a copy of the report of the independent appraiser on the market value of the redeemed securities must be attached to notification of the right to demand redemption of the securities which is sent to the company.

Securities redeemed under the present Article must only be paid for in cash.

Notification of the right to demand redemption of the securities must contain a notation made by a duly authorized governmental authority as to the date when the notification was submitted to it.

Dispatch of the notification of the right to demand redemption of the securities is done through the company.

3. Prior to dispatching the notification set forth in Clause 2 of the present Article, the person specified in Clause 1 of the present Article must obtain a banking guarantee from a financial-credit institution having branches in more than two administrative-territorial participatory units as security of payment to the appropriate holders for the redeemed securities.

4. Demand of holders for redemption of the securities belonging to them may be made not later than six months after dispatch of notification of the right to demand redemption of securities by the company.

Demand of holders for redemption of the securities belonging to them is dispatched by the holders of these securities to the person specified in Clause 1 of the present Article to which is attached evidence of the writing off of redeemed securities from the personal account (securities account) of the appropriate holder of the securities to ensure their subsequent crediting to the personal account (securities account) of the person specified in Clause 1 of the present Article.

Demand of holders for redemption of the securities belonging to them must specify the class (type) and number of securities subject to redemption.

A holder of securities is required to transfer such securities free of any third party rights to such securities.
5. The person specified in Clause 1 of the present Article is required to pay for the securities redeemed under the present Article within fifteen days after receiving the documents enumerated in the present Article.

**Article 150. Redemption Price**

The redemption of securities is made at the price determined in the procedure required by domestic legislation. However, such price may not be lower than:

1) the price at which such securities were acquired through a voluntary or mandatory offer as the result of which a person, specified in Clause 1, Article 149 of the present Law, has become the possessor of more than 95% of the total number of a company's voting shares of stock belonging to this person and her/his/its affiliates;

2) the highest price at which the person, specified in Clause 1, Article 149 of the present Law, or her/his/its affiliates acquired or undertook to acquire these securities after the period for accepting a voluntary or mandatory offer has expired, as the result of such acquisition the person, specified in Clause 1, Article 149 of the present Law, has become the possessor of more than 95% of the total number of the company's voting shares of stock taking into account the shares of stock belonging to such person and her/his/its affiliates.

**Article 151. Failure to Pay the Price for Corporate Redeemed Securities**

1. Where the person specified in Clause 1 Article 149 of the present Law fails to perform the duty to make timely payment of the price for the redeemed corporate securities, the former holder of securities may at her/his/its own discretion either make demand upon the guarantor that furnished the banking guarantee, under Clause 3, Article 149 of the present Law, to make payment of the price of the redeemed securities, to which is attached evidence of the writing off the redeemed securities from the personal account (securities account) of the holder of these securities and for subsequent crediting to the personal account (securities account) of the person specified in Article 149, Clause 1, of the present Law, or unilaterally to terminate the securities acquisition agreement and demand return of said securities.

2. Where the person specified in Article 149, Clause 1, of the present Law fails to perform the duties to dispatch notification of the right to demand redemption of the securities, under Article 149, Clause 2, of the present Law, the holder of the securities to be redeemed is entitled to submit a demand for the redemption of the securities held by such holder to which is attached a copy of the transfer order, sent to the keeper of the corporate register, for the redeemed securities to the person specified in
Article 140, Clause 1, of the present Law. Such demand may be made within one year from the date upon which the holder of securities knew of such right to demand redemption of the securities but not before expiration of the period of time specified in Article 149, Clause 2.

3. From the moment the order of the holder of the securities to transfer the redeemed securities to the person, specified in Article 149, Clause 1, of the present Law, is submitted to the registrar, all operations involving the personal account of the securities holder are blocked until the payment by such person for these securities and submittal to the registrar of the documents of payment for the redeemed securities.

CHAPTER XI. CORPORATE REORGANIZATION

Article 152. Forms of Corporate Reorganization

1. Reorganization of a company entails the transfer of rights and duties from one or more commercial organizations (legal predecessors) by way of legal succession to one or more newly created and/or existing commercial organizations (legal successors) with or without liquidation of the organization-predecessor.

2. Companies may be reorganized pursuant to the present Law in the form of a merger, acquisition, split-up, split-up accompanied by a merger (acquisition), spin-off, spin-off accompanied by a merger (acquisition) or transformation.

Article 153. Organizations of Various Organizational-Legal Forms Involved in a Reorganization. Reorganization Resulting in the Creation of Organizations of Different Organizational-Legal Forms

1. Organizations of various organizational-legal forms, with the exception of state and municipal enterprises, may take part in one reorganization along with a joint-stock company pursuant to the restrictions set forth in the present Law.

2. As a result of a reorganization, organizations may be created with organizational-legal forms other than the organizations involved in the reorganization taking into account the restrictions imposed by domestic legislation.

Article 154. Reorganization and its Stages

1. Unless otherwise established by legislation, reorganization includes the following stages:

1) conclusion by the authorized persons of the organizations involved in a reorganization of a merger (acquisition) agreement where the reor-
organization takes the form of a merger (acquisition) as well as a split-up (spin-off) associated with merger (acquisition);

2) adoption of a resolution on reorganization by the members and shareholders (general meeting of members or shareholders) of an organization being reorganized (each of the organizations involved in the reorganization), including confirmation of the transfer act, as well as a merger (acquisition) agreement where the reorganization takes the form of a merger (acquisition) or split-up (spin-off) associated with merger (acquisition);

3) notification of the registration authority and creditors of all the organizations involved in the reorganization of such resolution on reorganization;

4) state registration of the newly created organizations—successors and/or the making of entries in the state register on the termination of the organizations—predecessors and entries of legal succession (in the event of split-up (spin-off) associated with merger (acquisition)).

2. The adoption of a resolution on reorganization by members or shareholders (general meeting of members or shareholders) of an organization being reorganized (each of the organizations involved in the reorganization) or any other competent body of an organization being reorganized is made pursuant to the regulations and within the competence established by a law for the appropriate organizational-legal form of an organization.

A resolution on reorganization may specify the period of time after the expiration of which such resolution may not be performed and the merger (acquisition) agreement, approved by such resolution, ceases to have effect.

Such period of time expires from the moment of:

1) the state registration of one of the organizations newly created as a result of a reorganization in the form of a split-up—for a resolution on reorganization in the form of a split-up;

2) the making of an entry in the state register on the termination of the activities of an organization (organizations) being acquired—for a resolution on reorganization in the form of a merger, or an entry of legal succession—for reorganization in the form of a split-up (spin-off) associated with merger (acquisition);

3) the state registration of an organization newly created as a result of a reorganization—for a resolution on reorganization in the form of merger, spin-off or transformation.

A resolution on reorganization in the form of a spin-off may provide for a period of time after the expiration of which such resolution may not
be performed in relation to an organization (organizations) to be reorganized that failed to be registered within such period of time. In this case, the reorganization through spin-off is deemed to have been completed upon the state registration of the last organization that was spun off within the period of time as envisaged by this Clause.

3. A resolution on reorganization or a merger (acquisition) agreement may provide for a special procedure for concluding individual transactions and/or types of transactions by an organization being reorganized or prohibit such transactions from the moment of adopting such resolution on reorganization until such reorganization has been completed.

Any transaction concluded in violation of such specified special procedure or prohibition may be declared invalid by a lawsuit brought by an organization (organizations) being reorganized or by a member or shareholder of an organization being reorganized who is such as of the moment of concluding such transaction.

A court dismisses demands to declare as invalid a transaction concluded in violation of the requirements as envisaged by this Clause where:

1) as the result of performance of a challenged transaction, a resolution for the conclusion of which was adopted by another body or authorized person of the organization being organized, the organization being reorganized or member who has filed the lawsuit has not incurred damage or where the transaction has not been performed, such transaction will not, in substantiated view of a court, cause damage;

2) upon consideration of the lawsuit filed by an organization being reorganized, it has not been proven that the other party knew or should have known about the conclusion of the transaction in violation of the of requirements for a transaction as provided for in this Clause.

4. Reorganization is deemed to be completed and the appropriate organization deemed to be reorganized as of the moment of:

1) the state registration of an organization created as the result of a reorganization—where reorganization is in the form of a merger, split-up, spin-off, or transformation;

2) the making of an entry in the state register of the termination of the activities of a acquired organization—where reorganization is in the form of a acquisition, or of an entry in the state register of the legal succession—where reorganization is in the form of a split-up (spin-off) associated with a merger (acquisition).

5. As of the moment of completion of the reorganization, the members of organizations involved in a reorganization become members of the organization (organizations) created as the result of such reorganization
Article 155. Legal Succession after Reorganization. Transfer Act

1. In a merger, the rights and duties of each company involved are deemed to be transferred to the newly created organization, by way of the procedure of universal legal succession, as of the moment of completion of the reorganization.

2. In a reorganization in the form of an acquisition, the rights and duties of the appropriate organization are deemed to be transferred to the organization performing the acquisition, by way of the procedure of universal legal succession, as of the moment of completion of the reorganization, which applies to each organization being acquired.

3. In a split-up, the rights and duties of the organization being split up are deemed to be transferred to other organizations as of the moment of completion of the reorganization, which applies to each organization (newly created or participating in the reorganization including other forms of reorganization apart from the split-up).

4. In a spin-off from an organization or from several organizations, the rights and duties of the organization being reorganized are deemed to be transferred as of the moment of completion of the reorganization, which applies to each organization (newly created or participating in the reorganization including other forms of reorganization apart from the spin-off).

5. In a transformation of a legal person from one organizational-legal form into a legal person of another organizational-legal form, the rights and duties of the reorganized organization are deemed to be transferred by way of the procedure of universal legal succession to the organization created as a result of the reorganization as of the moment of completion of the reorganization.

6. A transfer act is a document attesting to legal succession of rights and duties during a reorganization. It must contain provisions on legal succession for all obligations of the organization being reorganized with respect to all of its creditors and debtors, including obligations disputed by the parties. A transfer act is not obligatory in a reorganization in the form of a merger of legal persons as well as of an acquisition of one legal person by another or of a transformation of a legal person.

A transfer act, along with the aforementioned data, must specify the procedure to determine legal succession in relation to changes in property and obligations that may arise after the date of the transfer act with respect to business conducted by the organization being reorganized. However, said procedure may not permit a transfer of the competence to adopt
resolutions on amending the transfer act to a body of the organization being organized or to any other person.

7. A transfer act is approved at the same time as adopting a resolution on the reorganization of an organization made by its founder (members) or by a body authorized to decide on reorganization, and is submitted along with the documents required for state registration of the newly created organizations or for the amendment of the articles of association of the existing organizations.

Article 156. The Issue of Securities during Reorganization of Commercial Organizations

1. During a reorganization of commercial organizations, securities are issued pursuant to the law on securities markets and other normative-legal acts adopted pursuant thereto by a competent authority taking into account the specific requirements established in the present Article.

2. A resolution, to reorganize a commercial organization (organizations) on the basis of which the company is created, means the resolution to offer securities of company created as the result of a reorganization.

The documents required for the state registration of the issue of corporate securities offered at the time of its creation, as the result of a reorganization, are submitted to the competent authority prior to the state registration of the company created as a result of a reorganization.

Where the competent authority decides to grant state registration for the issue of securities offered by a company at the time of its creation, as a result of a reorganization, the appropriate resolution enters into force as of the date of the state registration of the company created as a result of a reorganization.

3. The transfer of liabilities under bonds as the result of a reorganization to organizations as legal successors, which pursuant to a law are not entitled to issue bonds, is not permitted.

The liabilities under bonds of an organization being reorganized are transferred to the organizations as legal successors pursuant by way of the procedure of legal succession, and in the event of transformation—by way of the procedure of universal legal succession. However, liabilities under bonds within one issue are transferred only to one organization legal-successor.

From the moment of the state registration of an organization legal-successor, it stands in place of the reorganized organization being the initial bond issuer (replacement of the bond issuer) and assumes the bond liabilities on its behalf in the amount and pursuant to the terms and conditions that have existed prior to the state registration of the organization legal-successor. However, this does not involve the state registration of
the issue of bonds, the registration of a prospectus, the state registration of the final bond issue report, or submittal of notification on bond issue results.

Where the state registration of the issue of bonds of an organization being reorganized is combined with the registration of an appropriate prospectus, the successor organization acting as a new issuer of bonds, is required to disclose information in the procedure required by a law on securities markets for bond issuers with respect to the securities for which such prospectus is registered.

No later than ten days after the state registration of the organization legal-successor, it is required to submit a notice of replacing the bond issuer to the competent governmental authority. Requirements for the form of, and procedure for, submitting said notice are determined by normative-legal acts of the national executive authority on securities markets.

The organization legal-successor is required to amend the resolution to issue bonds of the reorganized organization where state registration of the issue of such bonds was accompanied by registration of the bond prospectus—and also the prospectus for such bonds in that part concerning replacement of the bond issuer. Such amendment is subject to registration pursuant to the procedure established by a law on securities markets for registration of the issue of securities. Documents for registering an amendment to a resolution on the issue and the prospectus of reorganized organization are submitted to the authority performing state registration of securities issues no later than thirty days after the state registration of the organization-legal successor. Requirements for the contents and procedure of submitting the aforementioned documents are established by normative-legal acts of the national executive authority on securities markets.

**Article 157. Grounds for Reorganization**

1. Prior to the adoption of a resolution on reorganization, a commercial company prepares a written document containing a detailed explanation as well as a legal and economic feasibility study of a draft resolution on reorganization, and where reorganization is in the form of a merger (acquisition)—a draft resolution of merger (acquisition), explanation of the exchange ratio (conversion) of shares of stock (equity stakes [dolia], participation unit [pał]), the amount of compensation, as well as a description of the consequences of the reorganization for members of each company involved in such reorganization (hereinafter “written substantiation”). The written substantiation also must describe circumstances complicating the valuation of property of each organization involved in the reorganization.
A written substantiation, apart from the aforementioned, contains the following:

1) information about the members (shareholders) of the organization being reorganized holding not less than 5% of its charter capital and not less than 5% of its common shares of stock, including data about the equity stakes in the charter capital belonging of each member (shareholder) of said organization being reorganized and the fractions of common shares of stock held by each such member (for the organization being reorganized—a company);

2) information about the equity stakes of the state or a municipal entity in the charter capital of the company being reorganized and whether there is a special right (“golden share”);

3) information on restrictions on participation in the charter capital of the organization being reorganized;

4) information about the amount of accounts payable and accounts receivable of the organization being reorganized for the three last completed fiscal years, or for each completed fiscal year, where the organization being reorganized has existed for less than three years, including information broken down into creditors and debtors, whose debt constitutes not less than 10% of the total accounts payable and receivable, and the amount of accounts payable and receivable with respect to affiliates;

5) information about material transactions concluded by the organization being reorganized within the last three completed fiscal years, or for each completed fiscal year where the organization being reorganized has existed for less than three years where the liabilities under such material transactions constitute not less than 10% of the book value of the assets of the organization being reorganized pursuant to its accounting data for the appropriate completed reporting period;

6) information about the dividends announced and paid on shares of stock, about net profit distribution amongst the members of the organization-economic company being reorganized, as well as about the income received under the bonds of the organization being reorganized within the last three completed fiscal years, or for each completed fiscal year where the organization being reorganized has existed for less than three years, including the procedure for paying dividends and other income;

7) information about the persons intending to provide security to the creditors of the organization being reorganized, as well as about the terms and conditions of securing the satisfaction of obligations of the organization being reorganized (if such persons exist).

2. The written feasibility study is not required where:
1) all the members of the organizations involved in the reorganization have waived their rights to receive a written substantiation;

2) all the shares (equity stakes, participatory unit) of the organization involved in a merger belong to the organization with which the former is being merged;

3) all the shares (equity stakes, participatory unit) of the organization being acquired belong to the organization performing the acquisition.

The declarations of natural persons-members of an organization being reorganized on the waiver of receiving a written substantiation must be notarially authenticated.

**Article 158. Appraiser**

1. The market value of shares (equity stakes, participatory unit) of organizations involved in a reorganization, which is used to calculate the exchange ratio of shares of stock (equity stakes, participation unit) and, where set forth by domestic legislation, the amount of compensation to be paid as a result of the reorganization to members of the organization being reorganized are determined by an independent appraiser (appraisers).

2. The valuation required by Clause 1 of the present Article is not required where:

   1) all the members of organizations involved in the reorganization have waived such valuation;

   2) all the shares (equity stakes, participatory unit) of the organization involved in a merger belong to the organization with which the former is being merged;

   3) all the shares (equity stakes, participatory unit) of the organization being acquired belong to the organization performing the acquisition;

   4) the shares of the company being reorganized are on traders’ quotations lists on securities markets (taking in account the particulars defined by Clause 3 of the present Article).

   The declarations of natural persons-members of an organization being reorganized on the waiver of conducting a valuation must be notarially authenticated.

3. Where the shares of stock of a company being reorganized are on traders’ quotations lists on securities markets, the market value of such shares used to determine the ratio of share (equity stakes, participation unit) conversion, distribution (exchange) may not be lower than the weighted average price of such shares determined pursuant to the trading results of a securities markets trader for the six months preceding the date of compiling the list of persons entitled to participate in the general shareholder’s meeting, during which the appropriate resolution on reorganization is adopted. Where the shares of stock of an organization being
reorganized may be found on the quotation lists of two or more securities markets traders, the weighted average price of such shares is determined pursuant to the trading results of all the traders in securities markets, where said shares have been offered for six months or more.

4. Each organization involved in a reorganization appoints an independent appraiser.

The merger (acquisition) agreement may require the appointment of two or more appraisers for the purpose of verifying the market value of the shares of stock (equity stakes, participatory unit) of each organization involved in a merger (acquisition) or reorganization, where the merger (acquisition) is combined with other forms of a reorganization. In such case, the merger (acquisition) agreement must specify the procedure for calculating the price applied for the purposes set forth in Clause 1 of the present Article in the event that the valuation results differ.

5. Each appraiser involved in appraising the market value of shares of stock (equity stakes, participatory unit) of the organizations being reorganized pursuant to Paragraph 2 Clause 4 of the present Article is entitled to receive any information and documents required to determine the market value of the shares of stock (equity stakes, participatory unit) from any organization involved in a reorganization, as well as to conduct any inspections required for said purpose.

6. The appraiser and the organization being reorganized are jointly liable for damages incurred by the members of the organization being reorganized resulting from a violation of the regulations on the independence of an appraiser contained in valuation legislation.

Article 159. Securing the Right to Information of the Members of an Organization Being Reorganized

1. The following documents must be provided for review to members of each organization being reorganized not less than thirty days prior to adoption of a resolution on reorganization:
   1) the draft resolution on reorganization;
   2) the draft articles of association of the company (founding documents) of each organization created as a result of a reorganization, as well as the articles of association (articles of association) of the existing organizations which will continue their activities upon the completion of the reorganization, along with the proposed changes and amendments thereto (if such changes and amendments are necessary pursuant to the draft resolution on reorganization);
   3) the transfer act with appendixes thereto;
4) the written feasibility study for all the organizations involved in the reorganization, where the organizations being reorganized are not exempt from the obligation to prepare such written feasibility study;

5) the report of the independent appraiser, pursuant to the present Law, on each organization involved in the reorganization, where the organizations being reorganized are not exempt from the obligation to perform such valuation pursuant to the present Law;

6) copies of the annual reports and annual accounting balance sheets for all the organizations involved in the reorganization for the three last completed fiscal years, or for each completed fiscal year, where the organization being reorganized has existed for less than three years; as well as copies of quarterly accounting (financial) reports of the aforementioned organizations for the last completed quarter preceding the adoption of the resolution on reorganization;

7) a calculation of value of the net assets for each organization involved in the reorganization as of the last reporting date preceding the adoption of the resolution on reorganization.

2. The documents enumerated in Clause 1 of the present Article must be provided to each member of an organization involved in a reorganization within three days from the moment of petition for review in the offices of such organization’s executive body or pursuant to another procedure as envisaged by the articles of association. The organization is required to provide its member with copies of the aforementioned documents within three days from moment the petition for review. The fee charged by an organization for the provision of such copies may not exceed the cost of the preparation thereof.

The organizations involved in a reorganization are entitled to, and the companies, the securities of which are offered at an organized securities market are obliged to, disclose the information enumerated in Clause 1 of the present Article within the timeframes established by Clause 1 of the present Article pursuant to the procedure established by the authorized body. The aforementioned data must be made available to the shareholders (members) of organizations being reorganized prior to the completion of the reorganization.

3. Organizations involved in a reorganization are required provide the members of all the organizations involved in a reorganization with access to information about material changes in the content and value of its property occurring after the adoption of a resolution on reorganization. The organization must provide the appropriate documents for review in the premises of the organization’s executive body within three days after an appropriate demand for review has been made. The organization is re-
The organizations involved in a reorganization are entitled to, and the companies, the securities of which are offered on organized securities markets are obliged to, disclose the information as envisaged by this Clause within three days after the changes in the content and value of the property of the organization being reorganized have taken place, pursuant to the procedure established by the authorized body. The aforementioned data must be made available to the shareholders (members) of organizations being reorganized prior to the completion of the reorganization.

**Article 160. Notification of the Registration Authority. Protection of the Rights of Creditors of an Organization Being Reorganized**

1. Within three days after the adoption of an appropriate resolution on its reorganization (or the adoption of a resolution on reorganization of the last organization participating in such reorganization), an organization is required to notify the registration authority in writing about the commencement of a reorganization procedure indicating the form of reorganization. On the basis of such notification, the registration authority makes an entry in the state register indicating that the organization is being reorganized.

2. After notification of commencement of a reorganization procedure has been provided to the registration authority, the organization being registered within five days informs all the creditors known to it in writing about the commencement of a reorganization or publishes notice of its reorganization three times, with a periodicity of once per month, in the printed periodicals in which information about the state registration of legal persons is published.

Such notice (notification) of reorganization contains:

1) the full and abbreviated business name, information about the location of each organization involved in the reorganization;

2) the full and abbreviated business name, information about the location of each organization being created (continuing its activities) as the result of the reorganization of organizations;

3) the form of reorganization, and where of combining several forms of reorganization— a description of such reorganization procedure;

4) a description of the procedure and of the terms and conditions for creditors of each organization involved in a reorganization to assert their claims, including the location of a permanent executive body of the organization and additional addresses, at which such claims may be
asserted and means of communication (telephone numbers, fax numbers, e-mail addresses, corporate website, etc.);

5) information about the persons performing the functions of the sole executive body of each of the organizations involved in a reorganization, as well as of organizations created (continuing their activities) as a result of the reorganization.

Where the reorganization involves two organizations or more, the reorganization notice is published on behalf of all the organizations participating in such reorganization.

3. An organization involved in a reorganization is required to provide a creditor with the following documents for review within three days from the moment of making the appropriate petition:

1) a copy of the written feasibility study on reorganization with all the appendixes except for cases where the organization being reorganized is exempt from an obligation to prepare such feasibility study pursuant to the present Law;

2) a copy of the merger (acquisition) agreement and a copy of the resolution on reorganization;

3) a copy of the transfer act and, where such act contains appendixes, the possibility to review such appendixes;

4) copies of its annual reports and annual accounting balance sheets, as well as copies of the annual reports and annual accounting balance sheets for all the organizations involved in the reorganization for the three last completed fiscal years, or for each completed fiscal year, where the organization being reorganized has existed for less than three years; copies of quarterly accounting (financial) reports of the aforementioned organizations for the last completed quarter preceding adoption of a resolution on reorganization.

The documents enumerated in this Clause must be provided to any creditor for review in the premises of the executive body of the organization being reorganized. Upon demand of a creditor, such organization is required to provide her/him/it with copies of the aforementioned documents within three days from the moment of such petition, and the fee charged by an organization for provision of such copies may not exceed the preparation costs thereof.

4. After adoption of a resolution on reorganization, but no later than thirty days as of the date upon which notice was sent or as of the date of the last publication of notice of the reorganization, creditors of an organization being reorganized are entitled to file a motion with a court at the location of the debtor organization being reorganized with a demand for accelerated performance of the appropriate obligation by the debtor
and, should such acceleration be impossible, for termination of liability and indemnification of the losses incurred in relation thereto.

The court denies the aforementioned claims where:

1) the organization being reorganized proves that, as a result of such reorganization, the rights and lawful interests of creditors are not violated;

2) the terms and conditions of the reorganization envisage joint liability of the organizations being created (continuing to exist) as a result of the reorganization for obligations of the organization being reorganized;

3) evidence is submitted of sufficient security for satisfaction of the appropriate obligations pursuant to Clause 5 of the present Article.

Should the claim for accelerated performance (termination) of obligations and indemnification of losses after completion of reorganization be granted, a court imposes joint liability under the obligations of the organization being reorganized upon the organizations newly created (continuing their activities) as a result of a reorganization.

The rights and lawful interests of the creditors of an organization being reorganized are protected where this does not contravene the essence of the obligations between the creditor and the organization-debtor being reorganized.

5. The satisfaction of obligations to credit institutions by an organization being reorganized may be secured through pledge, bank guarantee, state or municipal guarantee, surety, or other methods that do not contravene a law.

The satisfaction of the aforementioned obligations may not be secured by a withholding.

The performance of obligations of an organization being reorganized may be secured by such organization itself or its members as well as by third parties.

The rights and duties of the person or persons securing the performance of obligations, of an organization being reorganized, flow from such security and arise as of the date upon which an arbitration court has rendered a ruling approving said security.

An agreement on securing obligations by an organization being reorganized is concluded in writing within fifteen days as of the date upon which an arbitration court has rendered a ruling on approving the security and is signed by the person or persons providing the security and by the creditors, who have filed a lawsuit with the court. The agreement on securing obligations of the organization being reorganized must submitted to a court not less than ten days after the signing thereof.
Upon the expiration of timeframes as envisaged by this Clause, a court renders a ruling dismissing the creditor’s (creditors’) lawsuit where the appropriate security has been provided to the creditors of the organization being reorganized.

6. A general meeting of the bond holders issued by an organization being reorganized may be convened after adoption of a resolution on reorganization but no later than thirty days as of the date upon which notice was sent or as of the date of the last publication on reorganization. Such general meeting of bond holders is entitled to replace the representative of the bond holders, authorized to represent the latter’s interests with respect to reorganization.

7. Where it is impossible to determine the legal successor of an organization being reorganized to a specific obligation, the organizations-legal successor, as well as the organizations-legal predecessor (for reorganization in the form of a spin-off), are jointly liable to the creditors for such obligation. A demand to impose joint liability, as envisaged by this Clause, may be filed no later than three years after the reorganization has been completed.

Article 161. Requirements for the Amount of the Charter Capital of Organizations Being Reorganized

1. The amount of the charter capital of an organization created as a result of a reorganization may not constitute less the minimum amount of charter capital established by a law for the organizations belonging to the appropriate organizational-legal forms as of the date of the completion of the reorganization.

2. The amount of the charter capital of an organization created as a result of a reorganization may be less, equal to or greater than the charter capital of organizations participating in such reorganization, as well as less, equal to or greater than the authorized (subscribed) capital of the legal person that has been transformed into such organization.

3. Additional contributions and other payments for the purpose of forming the charter capital of an organization created as a result of a reorganization, including payments for securities issued during reorganization, and those related to such issue, are not allowed except for those cases when an appropriate resolution on reorganization has been adopted unanimously by all the members of each organization participating in such reorganization. A law may establish other instances where additional contributions and payments for the purpose of forming the charter capital may be allowed during a reorganization.

4. The property of an organization created as a result of a reorganization may be formed only by the property of the organizations involved in
the reorganization except for those cases when an appropriate resolution on reorganization has been adopted unanimously by all the members of each organization participating in such reorganization.

5. The value of the net assets an organization-legal predecessor, continuing its activities, as well as that of the organization-legal successor must not, as a result of a reorganization, turn out to be lower than the amount of the charter capital of the appropriate, and of each of these, organizations.

Article 162. Election of Bodies of a Company Created as a Result of a Reorganization

1. Proposals for the nomination of candidates for election to the bodies of each of the organizations being created as a result of a reorganization are made by members of each organization being reorganized pursuant to the procedure within the timeframes set forth in a law defining the legal status of legal persons of the same organizational-legal form in which the organization is created as a result of the reorganization.

2. Where the bodies of newly created organizations are elected by the members of several the organizations being reorganized, voting for the candidates to the bodies of each of the newly created organizations is pursuant to a single list unless otherwise provided by the present Law or by other domestic legislation.

3. Voting results on electing each body of an organization being created as a result of a reorganization are counted based on the votes of the members (shareholders) of all the organizations being reorganized for all the candidates to the appropriate management or supervisory body of the organization being created unless otherwise provided by the present Law or by other domestic laws.

Where a law or the articles of association (founding documents) of the organization being created as a result of a reorganization requires cumulative voting for electing a particular body, voting in the appropriate elections is conducted pursuant to cumulative voting regulations.

Article 163. Declaring Invalid a Resolution on Reorganization or Merger (Acquisition) Agreement and the Consequences of Such Invalidity

1. A resolution on reorganization or a merger (acquisition) agreement may be declared invalid according to a court judgment. A demand for declaring invalid a resolution on reorganization or a merger (acquisition) agreement may be filed with a court within three months from the moment of adoption of the appropriate resolution on reorganization.

The satisfaction of demands that lead or may lead to the annulment of the legal consequences of a performed reorganization is permitted only
when a court, at the moment of consideration of the matter, has exhausted all the available legal remedies and cannot use any other legal remedies to secure the rights and legal interests of the claimant.

2. Demands for the declaration of invalidity of a merger (acquisition) agreement may be filed only together with an appeal of the resolution on reorganization, which approved such agreement, within the statute of limitations established by the present Law for the declaration of invalidity of the appropriate resolution on reorganization.

   The court, in its proceedings in a matter on the declaration of invalidity of a resolution on reorganization, informs the registration authority about accepting the lawsuit on the declaration of invalidity of a resolution on reorganization, about which such registration authority then makes an appropriate entry in the state register. Where the court decides to take injunctive measures by suspending the state registration of the organizations created as a result of a reorganization, the court informs the registration authority about the imposition of such measures, and the registration authority then makes an appropriate entry in the state register and/or suspends the state registration procedure.

3. A resolution on reorganization or merger (acquisition) agreement may not be declared invalid based on an allegation that the stock (equity stakes, participatory unit) conversion ratio, and/or on the amount of compensation to be paid to the members of the organization being reorganized due to such reorganization, is unjustified [необоснованное]. In this case, each member (shareholder) of an organization, involved in the reorganization, is entitled to demand indemnification of losses which s/he/it has suffered. However, the organizations created as a result of a split-up (spin-off) are jointly liable for such losses.

4. Demands for the declaration of invalidity of rulings on the state registration of organizations created as a result of a reorganization, as well as on the state registration of changes and amendments to articles of association of the organization, may be filed with a court by the interested parties within three months as of the date when the appropriate entry has been made in the state register by the registration authority. The period for filing claims related to changes and amendments to articles of association resulting in inclusion of unlawful provisions, or incorrect data, commence as of the day the appropriate entry has been made in the state register by the registration authority where said entry was initially made to register such changes and amendments containing the appropriate provisions and data. The aforementioned demands are filed with a court at the location of the appropriate organization.
Taking into account all the circumstances of the matter, in hearing a matter, a court is entitled to leave in force the challenged rulings on state registration where the violations of the law and other normative-legal acts committed, in adopting the ruling on state registration, are not material and either may be cured or have been cured.

The declaration of invalidity of a ruling on the state registration of organizations created as a result of a reorganization, as well as on the state registration of changes and amendments to the articles of association of the organization, do not entail liquidation of said organization unless otherwise established by a law.

The declaration of invalidity of a resolution on reorganization, a merger (acquisition) agreement, or articles of association of an organization created as a result of a reorganization (in whole or in part), as well as changes and amendments to such documents, do not entail liquidation of said organization.

The declaration of invalidity of a ruling on the state registration of organizations, created as a result of a reorganization, the state registration of changes and amendments to the articles of association of the organization, a merger (acquisition) agreement, or an organization's articles of association (in whole or in part), do not entail the invalidity of the transactions concluded by such organizations unless the aforementioned transactions contravene the norms of legislation governing the relevant legal relations.

The declaration of invalidity of a resolution on reorganization, except for resolutions on forming a permanent executive body of an organization, created as the result of a reorganization (where such permanent executive body does not exist—any other body or person entitled to act on behalf of the legal person without a power of attorney), as well as of other bodies lawfully entitled to approve transactions concluded by the organization, do not entail the invalidity of the transactions unless the aforementioned transactions contravene the norms of legislation governing the relevant legal relations. A declaration of invalidity of transactions concluded by organizations is rendered pursuant to the civil legislation for the appropriate transactions.

The regulations set forth in this Clause respectively apply to demands, the satisfaction of which leads or could lead to the invalidity of rulings of the state registration of organizations created as a result of a reorganization, the state registration of changes and amendments to the organization's articles of association, resolutions on reorganization, merger (acquisition) agreements, an organization's articles of association and changes and amendments thereto.
I. Merger and Acquisition

Article 164. Merger (Acquisition) Agreement, Resolution on Reorganization

1. Reorganization in the form of a merger or acquisition, as well as reorganization in the form of a split-up or spin-off, performed simultaneously with such merger (acquisition), is performed pursuant to a merger or acquisition agreement respectively, with such agreements approved by resolutions on reorganization of all the organizations involved in the reorganization.

2. A merger (acquisition) agreement must be concluded in single written document signed by the parties. Failure to comply with the established form for the merger (acquisition) agreement results in its invalidity.

3. Approval [soglasovanie] of the terms and conditions and conclusion of a merger (acquisition) agreement is made by authorized persons acting on behalf of all the organizations involved in a reorganization prior to the adoption of a resolution on reorganization. Unless otherwise required by a law, in all such cases, the persons authorized to approve the terms and conditions of, and to conclude, a merger (acquisition) agreement are deemed to be the appropriate bodies of organizations involved in a reorganization, which are lawfully entitled to convene a general shareholders’ meeting (or another highest managerial body) adopting the resolution on reorganization. The conclusion of a merger (acquisition) agreement gives rise to obligations associated with preparation for the reorganization as of the moment of the signing thereof. The provisions of the merger (acquisition) agreement defining the reorganization procedure enter into force as of the moment of adoption of the resolution on reorganization providing for approval of the merger (acquisition) agreement.

4. A merger (acquisition) agreement terminates where its confirmation [utverzhdenie] has not been obtained from all the organizations involved in the reorganization within one year after the signing thereof.

5. The merger agreement must specify:

   1) the name and location of each organization involved in the merger or reorganization, where the merger (acquisition) is combined with another form of reorganization, as well as the name and location of the organization being created as a result of a reorganization;

   2) the procedure and the terms and conditions of the merger or reorganization where the merger is combined with another form of reorganization;

   3) the procedure for converting (exchanging) shares of stock (equity stakes, participatory unit) of each of the organizations involved in the reorganization into shares of stock (equity stakes, participatory unit) of
the organization being created (continuing its activities) as well as the conversion (exchange) ratio (factor);

4) the number of members on the board of directors (supervisory board), of the organization being created, elected by each organization involved in the merger where the articles of association (founding documents) of the organization being created require that there be a board of directors (supervisory board) pursuant to a law;

5) the list of the auditing committee members or information on the accountant of the organization being created where a law requires the organization being created to have such bodies;

6) the list of members of the executive body of the organization being created where the articles of association (founding documents) of the organization being created require that there be an executive body and where the formation thereof lies within the competence of the organization's highest managerial body;

7) information about the organization solely exercising the functions of the executive body of the organization being created;

8) the name and location of the corporate registrar where the register of a company being created needs to be maintained by a registrar.

Specific provisions, as envisaged by this Clause, may be omitted from a merger agreement in the event of registration including a combination of merger and other forms of reorganization. In this case, the merger agreement must contain comments explaining the omission of such provisions there from.

The merger agreement may contain information about the accountant of the organization created as a result of a reorganization, specify the procedure for delegating powers exercised by the organization solely exercising the functions of the executive body of the organization being created to a management company or a manager, as well as provide other data of a factual nature and reorganization provisions which do not contravene a law.

6. An acquisition agreement must contain:

1) the name and location of each organization involved in the acquisition or reorganization, where acquisition is combined with another form of reorganization, as well as the name and location of the organization performing the acquisition;

2) the procedure and the terms and conditions of the acquisition or reorganization where acquisition is combined with another form of reorganization;

3) the procedure for converting (exchanging) shares of stock (equity stakes, participatory unit) of each of the organizations involved in a
reorganization into shares of stock (equity stakes, participatory unit) of the organization performing the acquisition, as well as the conversion (exchange) ratio (factor). Where all the shares of stock (equity stakes, participatory unit) of the organization being acquired belong to the organization performing the acquisition, the provisions on the exchange of shares of stock (equity stakes, participatory unit) are not included.

Specific provisions, as envisaged by this Clause, may be omitted from an acquisition agreement in the event of registration including a combination of acquisition and other forms of reorganization. In this case, the acquisition agreement must contain comments explaining the omission of such provisions there from.

The acquisition agreement may contain a list of changes and amendments to the articles of association (articles of association) of the organization performing the acquisition, other data of a factual nature and provisions on reorganization that do not contravene a law.

In the event of the confirmation of an acquisition agreement containing a list of changes and amendments to the articles of association (founding documents) of the organization performing the acquisition, such changes and amendments are made to the articles of association (founding documents) of said organization pursuant to the resolution on approval of the acquisition agreement adopted by the organization performing the acquisition.

7. The organizations participating in a merger (turnover) or reorganization, where the merger (turnover) is combined with other forms of reorganization, immediately must provide each other with information about the material changes in the content and value of their property resulting from the conclusion of the merger (turnover) agreement.

8. The resolution on reorganization in the form of a merger (acquisition) or reorganization, where such merger (acquisition) is combined with other forms of reorganization, confirms the merger (acquisition) agreement, the transfer act (when preparation of such transfer act is required by a law or a resolution of the authorized bodies involved in the reorganization of legal persons), the articles of association of an organization being created as a result of a merger (changes and amendments to the articles of association of the organization performing the acquisition or any other organization involved in a reorganization, where such merger (acquisition) is combined with other forms of reorganization, if such changes and amendments are required), is used to elect the bodies of the organization being created as a result of said merger and, where the acquisition agreement provides for the early termination of powers exercised by the bodies of the organization performing the acquisition
(organization involved in a reorganization, where such merger (acquisition) is combined with other forms of reorganization), and forms the appropriate bodies of such organization.

Article 165. Specifics of a Merger (Acquisition) Involving Limited (Additional) Liability Companies

1. A general shareholders’ meeting of each limited (additional) liability company involved in a reorganization in the form of a merger (acquisition) or reorganization, where such merger (acquisition) is combined with other forms of reorganization, adopts a resolution on reorganization of each such company, including a resolution to confirm the merger (acquisition) agreement, transfer act and the articles of association (founding documents) of the organization, created by way of reorganization in the form of a merger, and also adopts a resolution upon the election of the board of directors (supervisory board) of the organization being created with the number of members of the aforementioned bodies to be established by the appropriate merger (acquisition) agreement for each of the organizations involved in such merger (acquisition), where the articles of association (articles of association) of the organization being created require the formation of a board of directors (supervisory board) pursuant to a law.

2. The ratio of the number of members elected to the board of directors (supervisory board) of the organization being created by each organization involved in a merger to the total number of members elected to the board of directors (supervisory board) must be proportionate to the ratio of the amount of equity stakes (shares of stock, participatory unit) of the organization being created that result from conversion of the equity stakes (shares of stock, participatory unit) held by the members of the appropriate organization involved in a reorganization to the total amount of equity stakes (shares of stock, participatory unit) of the organization being created. The number of members elected to the board of directors (supervisory board) of the organization being created by each organization involved in a merger, calculated pursuant to this Clause, is rounded to the nearest integer pursuant to the rounding procedure in force. Where the members of the board of directors (supervisory board) of the organization being created are elected through cumulative voting, the number of votes exercisable by each member may be distributed amongst several candidates in integers and fractions.

The regulations, as envisaged by this Clause, apply respectively to mergers and reorganization where the merger (acquisition) is combined with other forms of reorganization.

3. Where a limited (additional) liability company is involved in a merger or reorganization, where the merger is combined with other forms of re-
organization, the equity stakes within the charter capital of such limited (additional) liability company that is held by another economic company [khoziaistvennoe obshchestvo] involved in the merger, as well as the equity stakes of such limited (additional) liability company, is extinguished.

4. Where a limited (additional) liability company is involved in a reorganization in the form of an acquisition or reorganization, where the acquisition is combined with other forms of reorganization, the following are extinguished:

1) the equity stakes held by the economic company being acquired;
2) the equity stakes of the economic company being acquired held by the economic company performing the acquisition;
3) the equity stakes of the economic company performing the acquisition held by the economic company being acquired where this is set forth in the acquisition agreement.

Where the equity stake (part of the equity stakes) is not subject to redemption pursuant to Subparagraph 3 of this Clause, it is transferred to the economic company performing the acquisition and sold by such economic company pursuant to the procedure, and within the timeframes, established by legislation on limited (additional) liability companies.

Article 166. Specifics of Merger (Acquisition) Involving Joint-Stock Companies

1. The board of directors (supervisory board) of each of the companies involved in a reorganization in the form of a merger or reorganization, where such merger is combined with other types of reorganization, puts to the vote of the general shareholders’ meeting of each such company the matter of reorganization and, also, the election of members to the board of directors (supervisory board) and/or management committee of the organization being created as a result of a merger.

A general shareholders’ meeting of each company involved in a reorganization in the form of a merger or reorganization, where such merger is combined with other forms of reorganization, adopts a resolution on reorganization of each such company, including that on confirming the merger agreement, the transfer act and the articles of association (articles of association) of the organization being created as a result of a merger and, also, adopts a resolution upon the election of the board of directors (supervisory board) and/or the management committee of the organization being created with the number of members of the aforementioned bodies to be established by the appropriate draft merger agreement for each of the organizations involved in the reorganization where, pursuant to a law, the articles of association (founding documents) of the organization being created do not envisage the functions of the board of directors
(supervisory board) being exercised by the highest managerial body of such organization.

2. The board of directors (supervisory board) of each of the companies involved in a reorganization in the form of an acquisition or reorganization, where such acquisition is combined with other forms of reorganization, puts the matter of reorganization to a vote of the general shareholders’ meeting of each such company. The board of directors (supervisory board) of the company, performing the acquisition, also puts other matters to a vote of the general shareholders’ meeting of such company where this is required by the acquisition agreement.

The general shareholders’ meeting of each company involved in a reorganization in the form of an acquisition or reorganization, where such acquisition is combined with other forms of reorganization, adopts a resolution on the company’s reorganization, including confirmation of the acquisition agreement and of the transfer act. Such general shareholders’ meeting additionally adopts a resolution upon other matters (including upon amending the articles of association of the company) where this is required by the acquisition agreement.

3. The ratio of the number of members elected to the board of directors (supervisory board) and/or management committee of an organization being created (continuing its activities) by each company involved in a reorganization, respectively, is calculated pursuant to the regulations contained in Clause 2, Article 165 of the present Law.

4. Where a company is involved in a merger, or reorganization combining merger with other types of reorganization, the shares of stock of the company held by the other economic company participating in the merger, as well as the shares of stock of the company involved in the merger, are extinguished.

5. Where a company is involved in a reorganization in the form of an acquisition or reorganization, where such acquisition is combined with other forms of reorganization, the following are extinguished:

1) the own shares of stock held by the company being acquired;
2) the shares of stock of the company being acquired, belonging to the organization performing the acquisition;
3) the shares of the company performing the acquisition belonging to the company being acquired where this is set forth in the acquisition agreement.

Where the own shares of stock held by the company performing the acquisition, are not extinguished, pursuant to the subparagraph 3 of this Clause, these shares of stock do not grant the right to vote, are not be considered in a vote count, and do not entitle their holders to dividends.
A company must sell these shares at a price set no lower than their market value and not later than one year after the acquisition thereof by the company; otherwise, the company is required to decide upon reducing the amount of its charter capital by way of cancelling such shares.

6. Should one company take over another company (organization), the shares of stock (equity stakes, participatory unit) may be converted (exchanged) into either the additional shares of stock offered by such company or into the shares of stock held by such company.

7. From the moment of the state registration of a company created as a merger (from the moment that the company which has been acquired is stricken from the state register), the shares of stock of the company created as a result of the merger (additional shares of the company performing the acquisition), into which the shares of stock (equity stakes, participatory unit) of the company involved in the reorganization are being converted (exchanged), are deemed to be issued pursuant to the ratio (factor) provided for in the resolution on reorganization or the merger (acquisition) agreement.

II. Split-up and Spin-off

Article 167. Resolution on Reorganization in the Form of Split-up (Spin-off)

1. Reorganization in the form of split-up or spin-off takes place on the basis of a resolution on reorganization in the form split-up and resolution on reorganization in the form spin-off respectively.

2. A resolution on reorganization in the form of split-up must specify:

1) an indication of the name and location of each organization being created by way of a reorganization in the form of a split-up and the name and location of the organization being reorganized in the form split-up;

2) the procedure of such split-up and the terms and conditions thereof;

3) the procedure for converting (exchanging) shares of stock (equity stakes, participatory units) of the organization being reorganized into shares of stock (equity stakes, participatory units) of the organization being created as a result of the reorganization of an organization and the conversion (exchange) ratio (factor) applicable to the shares of stock (equity stakes, participatory units) of such organizations;

4) information on confirmation of the transfer act with such transfer act being attached thereto;

5) information on confirmation of the articles of association (founding documents) of each organization being created with the articles of
association (founding documents) of each such organization being attached thereto;

6) an indication of the number of members of the board of directors (supervisory board) of each organization, being created as a result of the reorganization thereof, where the articles of association (founding documents) of such organization being created, pursuant to domestic legislation, require that such organization have a board of directors (supervisory board);

7) list members of the auditing committee and specify the accountant of each organization being created as a result of reorganizing the organization where domestic legislation requires that the organization being created have such bodies;

8) list members of the executive body of each organization being created as a result of a reorganization of the organization, where the articles of association of the company (founding documents) of the organization being created require that it have a executive body, and the formation thereof falls within the competence of such organization’s highest managerial body;

9) specify the person acting as the organization solely exercising the functions of the executive body of the organization being created as a result of such reorganization.

Specific provisions, as envisaged by this Clause, may be omitted from a resolution on reorganization in the form of a split-up where the reorganization taking place is combined with other forms of reorganization. In this case, the resolution on reorganization must contain comments explaining the omission of such provisions there from.

A resolution on reorganization in the form of split-up may specify the accountant of the organization being created as a result of a reorganization, the registrar of the company being created, indicate the assignment of powers exercised by the organization solely exercising the functions of the executive body of the organization being created, to a management organization or to a manager, and contain other factual information and reorganization provisions which do not contravene domestic legislation.

3. Any resolution on reorganization in the form of spin-off must contain:

1) an indication of the name and location of each organization being created as a result of a reorganization in the form spin-off and the name and location of the organization continuing its operations;

2) the procedure of such spin-off and the terms and conditions thereof;
3) the procedure for converting, or exchanging or acquiring shares of stock (equity stakes, participatory units) of the organization being reorganized into shares of stock (equity stakes, participatory units) of the organization being created, as well as the conversion (exchange) ratio (factor) applicable to the shares of stock (equity stakes, participatory units) of such organizations;

4) information on confirmation of the transfer act with such transfer act being attached thereto;

5) information on confirmation of the articles of association (founding documents) of each organization being created with the articles of association (founding documents) of each such organization being attached thereto;

6) an indication of changes and amendments to the articles of association (founding documents) of each existing organization with such changes and amendments to the articles of association (founding documents) attached thereto or with the new version of the articles of association (founding documents) attached thereto where such changes and amendments have been made;

7) an indication of the number of members of the board of directors (supervisory board) of each organization being created as a result of the reorganization thereof where, pursuant to domestic legislation, the articles of association (founding documents) of such organization being created require that such organization have a board of directors (supervisory board);

8) a list of the members of the auditing committee and specification of the accountant of each organization being created as a result of reorganizing the organization where, pursuant to domestic legislation, the creation of such bodies is required;

9) a list of the members of the executive body of each organization being created as a result of a reorganization of the organization, where the articles of association (founding documents) of the organization being created require that there be an executive body, and the formation thereof falls within the competence of such organization’s highest managerial body;

10) an indication of the person acting as the organization solely exercising the functions of the executive body of the organization being created as a result of the reorganization of the organization.

A resolution on reorganization in the form of spin-off may specify the accountant of the organization being created as a result of a reorganization, the registrar of the company being created (existing organization), indicate the assignment of powers exercised by the organization solely
exercising the functions of the executive body of the organization being created (existing organization), to a management organization or to a manager, and contain other factual information and reorganization provisions which do not contravene the present Law.

4. Specific provisions, as envisaged by Clause 3 of the present Article, may be omitted from a resolution on reorganization in the form of spin-off where the reorganization taking place is combined with other forms of reorganization. In this case, the resolution on reorganization must contain comments explaining the omission of such provisions there from.

In the event of reorganization in the form of spin-off, the transfer act may provide that the organization being created as a result of such spin-off is the legal successor not only to specific rights and duties of the organization legal-predecessor, referred to in the transfer act but, also, to all other rights and duties of the organization legal-predecessor which such legal predecessor does not reserve to itself, with such legal predecessor retaining only the rights and duties as set forth in the transfer act.

In the event spin-off is combined with merger (acquisition), the transfer act may contemplate that the newly created or existing organization is a legal successor not only to a portion of the rights and duties of the legal predecessor set forth in such transfer act but, also, to all other rights and duties of such legal predecessor that such predecessor does to reserve to itself.

**Article 168. Specifics of Split-ups (Spin-offs) Involving Limited (Additional) Liability Companies**

1. A general shareholders' meeting of each limited (additional) liability company involved in a reorganization in the form of a split-up (spin-off) adopts a resolution on reorganization of the company and, also, on the election of the board of directors (supervisory board) of each organization being created as a result of such reorganization where, pursuant to a law, the articles of association (founding documents) of an organization being created provide for formation of a board of directors (supervisory board).

2. Where the articles of association (founding documents) of an organization being created as a result of a reorganization provide for formation of a board of directors (supervisory board) and election of the board of directors (supervisory board) of the limited (additional) liability company being reorganized by the members of the reorganized organization, the equity stakes held by them, pursuant to the resolution on reorganization, are exchanged for equity stakes (shares of stock, participatory units) of the appropriate organization being created.
Where, pursuant to the resolution on reorganization of a limited (additional) liability company in the form of spin-off, the sole member of the organization being created is the company being reorganized, all members of such company being reorganized elect the members of the board of directors (supervisory board) of such company being created.

3. The general shareholders’ meeting of a limited (additional) liability company being reorganized in the form of spin-off that has adopted a resolution on such reorganization, in determining the procedure for the exchange of equity stakes for shares of stock (equity stakes, participatory units) of each organization being created as a result of such reorganization and the exchange ratio (factor), must establish: the manner in which such equity stakes (shares of stock, participatory units) of the organization being created are offered (the procedure for exchange of equity stakes in the company being reorganized for equity stakes (shares of stock, participatory units) in the organization being created (existing organization) or the distribution of equity stakes (shares of stock, participatory units) in the organization being created (existing organization) amongst members of the company being reorganized or acquisition of the entire equity stakes (all shares of stock) constituting the charter capital of the economic company being created (existing company) by the company being reorganized), the procedure of such offering, and in the event of exchange and distribution of equity stakes—the coefficient (factor) of such exchange and the terms and conditions upon which the equity stakes in such companies is distributed.

**Article 169. Specifics of Split-ups (Spin-offs) Involving Joint-Stock Companies**

1. The board of directors (supervisory board) of a company being reorganized in the form of a split-up (spin-off) puts to a vote of the general shareholders’ meeting of such company the matter of the reorganization of the company and, also, the election of members of the board of directors (supervisory board) and management committee of each organization being created as a result of the reorganization where, pursuant to a law, the articles of association (founding documents) of the organization being created do not provide for the formation of a highest management body of such organization to perform the functions of the board of directors (supervisory board).

2. The election of the board of directors (supervisory board) of an organization being created as a result of a reorganization (or of an existing organization in the event of the re-election of the board of directors (supervisory board) and/or management committee of such organization) is by the shareholders of the company being reorganized amongst which, pursuant to the resolution on reorganization, the common shares of stock
(equity stakes, participatory units) in such created (existing) organization must be distributed, and shareholders who are holders of preferred shares of stock in the company being reorganized (which, at the time the reorganization of the company is decided upon, are voting shares pursuant to the present Law), amongst which pursuant to the resolution on reorganization of the company, the shares of stock (equity stakes, participatory units) in the organization being created (existing organization) must be distributed.

If, pursuant to a resolution on reorganization of a company in the form of spin-off, the sole member of the organization being created is a joint-stock company being reorganized, the shareholders of such joint-stock company being reorganized elect the members of the board of directors (supervisory board) of such organization.

3. The general shareholders’ meeting of a company being reorganized in the form of split-up that adopts a resolution for reorganization, in determining the procedure for conversion (exchange) of shares of stock into shares of stock (equity stakes, participatory units) of each organization being created as a result of such reorganization and the ratio (factor) of conversion and distribution (exchange), must establish: the manner in which such shares of stock of each joint-stock company being created are distributed (the conversion of shares of stock into shares of stock or distribution of shares of stock in the joint-stock company being created (existing joint-stock company) amongst the shareholders of the joint-stock company being reorganized) or the exchange of shares for equity stakes or participatory units in each organization being created as a result of such reorganization (existing organization) and the ratio (factor) of such conversion and distribution (exchange) applicable to shares of stock (equity stakes, participatory units) of such organizations. However, the conversion of shares of stock into shares of stock of joint-stock companies being created must be made upon terms and conditions that are identical for all holders of shares of stock in the company being reorganized that belong to the same category (class).

4. The general shareholders’ meeting of a company being reorganized in the form of spin-off that adopts a resolution for reorganization, in determining the procedure for conversion or distribution or acquisition (exchange) of shares of stock (equity stakes, participatory units) of the joint-stock company being reorganized and the ratio (factor) of conversion (exchange) of shares of stock (equity stakes, participatory units), must establish: the manner in which shares of stock are distributed (the conversion of shares of stock into shares of stock or distribution of shares of stock in the company being created (existing company)) amongst
shareholders of the company being reorganized or the acquisition of all shares of stock in the joint-stock company being created by the joint-stock company being reorganized) or the exchange of shares of stock for equity stakes or participatory units (acquisition of the entire equity stakes) in each organization being created as a result of such reorganization (existing organization) and the ratio (factor) of such conversion and distribution (exchange) applicable to shares of stock (equity stakes, participatory units) of such organizations. However, the conversion of shares of stock into shares of stock of the companies being created, and the distribution of shares of stock of the company being created amongst the shareholders of the joint-stock company being reorganized must be made upon terms and conditions that are identical for all holders of shares of stock in the company being reorganized that belong to the same category (class).

5. Each shareholder of a company being reorganized who voted against the resolution on reorganization of the company or failed to take part in the voting on reorganization of the company must receive shares of stock of each company created by way of reorganization in the form of a split-up which vest in her/him/it the same rights as her/his/its shares of stock of the company being reorganized, proportionate to the number thereof. The provisions of this clause apply to reorganizations that combine split-up with other forms of reorganizations and to reorganizations that involve and/or result in the creation of other organizations with other organizational-legal forms. In such case, a shareholder in a company being reorganized must receive an equity stake (participatory units) proportionate to the number of shares of stock in the company being reorganized held by him/her/it.

6. If a resolution on reorganization of a company in the form of spin-off provides for the conversion of the shares of stock of such company that is subject to reorganization into shares of stock of company being created or the distribution of the shares of stock of such company being created amongst members of the company being reorganized (exchange of shares of stock of the joint-stock company being reorganized for an equity stake or participatory units in another organization), each shareholder of the company being reorganized who voted against the resolution on reorganization of the company or who failed to take part in the voting on reorganization of the company, must receive shares of stock of each company being created which vest in him/her/it the same rights as her/his/its shares of stock of the company being reorganized, proportionate to the number thereof. The provisions of this clause apply to reorganizations that combine spin-offs with other forms of reorganizations, and reorganizations that involve and/or result in the creation of other organizations
with other organizational-legal forms. In such case, a shareholder in the
company being reorganized must receive an equity stake (participatory
units) proportionate to the number of shares of stock in the joint-stock
company being reorganized held by him/her/it.

7. As of the moment of completion of reorganization in the form of a
split-up (spin-off), the shares of stock of the joint-stock company created
as a result of such split-up (spin-off), into which shares of stock (equity
stakes, participatory units) of the reorganized legal person are converted/
exchanged, are deemed to be distributed applying the ratio (factor) of
conversion (exchange) set forth in the resolution on reorganization.

III. Transformation

Article 170. Resolution on Reorganization in the Form of Transformation

1. Reorganization in the form of transformation takes place in pursu-
ance of a resolution on reorganization in the form of transformation.

2. Such resolution on reorganization in the form of transformation
must specify:
   1) an indication of the name and location of the legal person being
      created as a result of a reorganization in the form of transformation;
   2) the procedure of such transformation and the terms and condi-
tions thereof;
   3) the procedure for the exchange of shares of stock (equity stakes in
      the charter capital and participatory units held by members of a production
      cooperative) for an equity stake in the charter capital in the organization
      being reorganized (shares of stock, participatory units held by members
      of a production cooperative) and the ratio (factor) of such exchange;
   4) confirmation of the transfer act with such transfer act being at-
tached thereto where the organization being reorganized has decided to
      compile such a transfer act;
   5) information about confirmation of the articles of association (founding
documents) of each organization being created with the articles of
association of the company (founding documents) of such organization
being attached thereto;
   6) an indication of the number of members of the board of directors
      (supervisory board) and/or management committee of the organization
      being created where, pursuant to a law, the articles of association of the
      company (founding documents) of such organization being created require
      that such organization have a board of directors (supervisory board);
   7) a list of the members of the auditing committee or specification
      of the accountant of the organization being created as a result of a reor-
organization, where a law requires that the organization being created have such bodies;

8) a list of the members of the executive body of an organization being created as a result of a reorganization, where the articles of association of the company (founding documents) of the organization being created require that it have a executive body and where the formation thereof falls within the competence of such organization's highest management body;

9) a specification of the person who acts as the organization solely exercising the functions of the executive body being created as a result of such corporate reorganization.

Specific provisions, as envisaged by Clause, may be omitted from resolutions on reorganization in the form of transformation where the reorganization taking place is combined with other forms of reorganization. In this case, the resolution on reorganization must contain comments explaining the omission of such provisions therefrom.

A resolution on reorganization in the form of transformation may specify the accountant of the organization being created as a result of the reorganization, the registrar of the company being created, indicate the transfer of powers exercised by the organization solely exercising the functions of the executive body of the organization being created to a management organization or manager, and contain other factual information and reorganization provisions which do not contravene domestic legislation.

Article 171. Specifics Pertaining to Transformation of Joint-Stock Companies

1. The board of directors (supervisory board) of a company being reorganized in the form of transformation puts to a vote of the general shareholders’ meeting of such company the matter of the reorganization of such company in the form of transformation and, also, the election of members of the board of directors (supervisory board) and management committee of the organization being created as a result of a reorganization where, pursuant to a law, the articles of association (founding documents) of the organization being created do not provide for formation of a highest management body of such organization to perform the functions of the board of directors (supervisory board).

2. Members of the board of directors (supervisory board) of a company being created as a result of a reorganization are elected by the shareholders of such company being reorganized amongst which, pursuant to the resolution on reorganization, equity stakes or participatory units in such organization being created, must be distributed, and the shareholders who are holders of preferred shares of stock in the company being reorganized
(which at the time the reorganization of the company is decided upon are voting shares of stock pursuant to the present Law), amongst which pursuant to the resolution on reorganization of the company, the equity stakes or participatory units in the organization being created must be distributed.

CHAPTER XII. A GROUP OF COMPANIES

Article 172. Controlling Organization and Dependent Company
1. A company is deemed to be dependent when any other person engaging in entrepreneurial activity (a controlling organization) has the possibility to directly or indirectly exercise a dominant influence over such company in the conduct of its affairs and the exercise of its activities.
2. A controlling person is deemed to be a controlling organization unless it proves that it does not exercise a dominant influence over a dependent company.

Article 173. Notice of Share Ownership
A shareholder who directly or as a controlling organization holds more than 10% (alternative options: 20%, 25%, 50% or 75%) of the voting shares of stock is required immediately to notify the company. Until such notification has been made, such shareholder may not exercise any rights attributable to such shares of stock in respect to the company. Any use of a voting right in violation of this provision may be appealed to a court by interested persons.

Article 174. Agreements amongst Companies
1. A company may, by virtue of an agreement, be controlled by another organization and delegate management functions to such organization (“a control agreement” [dogovor o podchinenii]) or lease its property to another organization (hereinafter “agreement amongst organizations”). An agreement amongst organizations is valid only where the general shareholders’ meeting of a company has approved it by a majority constituting 75% of the votes cast by the shareholders attending such meeting.
2. A draft agreement amongst organizations, accompanied by an opinion letter of an independent accountant, must be made available for review of the shareholders or, upon their demand, must sent to shareholders four weeks prior to such general shareholders’ meeting. The accountant’s opinion letter, referred to above, must contain a conclusion on whether
or not the indemnification or compensation proposed to a shareholder are adequate. An agreement amongst organizations must contain the following provisions:

— the amount of compensation or indemnification proposed to shareholders who have voted against the appropriate agreement amongst organizations to cover losses incurred by such shareholders as a result of such agreement amongst organizations;

— on the right of shareholders who have voted against such agreement amongst organizations to offer a controlling person (shareholder) to acquire her/his/its shares of stock, and on the procedure for such acquisition and determination of the price for such shares of stock.

3. An agreement amongst organizations is registered with the authority empowered to perform state registration of legal persons [rights to immoveable property]. An agreement is deemed to be valid from the moment of its registration.

4. A controlling organization may give instructions binding to a dependent company under a control agreement.

5. A controlling organization is required to indemnify the losses incurred of a dependent company caused by such controlling organization during the term of a control agreement. A dependent company may not waive such indemnification of losses unless shareholders of the dependent company who previously voted against the appropriate control agreement have approved such waiver of indemnification of losses as the result of a separate voting held at a general shareholders’ meeting.

Article 175. Actual Control

1. Where there is no control agreement, a controlling organization may not use its managerial influence to influence a dependent company to conclude an unfavourable transaction or undertake or fail to undertake acts to the damage of its interests unless there will be compensation for the resulting damages.

This provision does not apply where a controlling organization and a dependent company interact on the basis of general business plan and where there is a guarantee that the benefits and the losses arising from such interaction will be apportioned in a calculated and balanced manner.

2. Upon the motion of a person having a legal interest, a court must determine whether or not such interaction between a controlling organization and a dependent company meets the requirements set forth in Clause

12 Translator’s note: These square brackets, and the text there between, appear in the original Russian-language version of the Model Law.
1 of the present Article. A controlling organization must prove that such interaction meets such requirements.

3. Where a court determines that a controlling organization has abused its managerial influence and has damaged a dependent company, such controlling organization must indemnify the dependent company for the amount of damages incurred at the end of the current fiscal year unless the court has established a longer period of time. The indemnified damages must, at a minimum, compensate the losses incurred by the dependent company and an appropriate amount for lost income except for such damage which did not result from managerial influence of the controlling organization. In this case, the controlling organization must prove the absence of managerial influence.

Article 176. Continuous or Long-Term Loss-Making Management

1. Where a controlling person exercises management supervision over a company in such a way that the company engages in loss-making business activities for a long period of time, i.e., at a minimum for one year, the shareholders of such company are entitled to demand that the controlling person redeem the company’s shares of stock held by them. However, the redemption price must correspond to the highest price for the company’s shares of stock for the period of six months prior to the actual control by the controlling company plus a penalty on such price in an amount calculated pursuant to the regulations of the Civil Code for calculation of penalty under monetary obligations. The determination of the highest price for the shares of stock is made by applying quotations from appropriate, organized securities markets, and where this is impossible by employing an independent professional appraiser at the expense of the controlling person.

2. Where the dependent company continuously engages in loss-making business as a result of the influence of a parent or controlling company which results in the insolvency (bankruptcy) of such dependent company, depending on the situation, such parent or controlling company is liable for the debts of such dependent company where it has failed to satisfy the claims in full of creditors of such dependent company during bankruptcy proceedings.

3. Such parent or controlling company may be released from liability where a court has established the circumstances set forth in, Part II, Clause 1, of Article 175 of the present Law.
Article 177. Interdependent Companies

1. Where a company and another organization are interdependent, they immediately are required to notify each other in writing of the amount of their participation and of any changes therein.

2. Where organizations are interdependent and they are aware thereof, rights to take part in the management of one them owned by the other interdependent organization may only be exercised by the latter within the limits of 25% of its equity stake (voting shares of stock) held in the first organization and vice versa. This provision does not apply to the preemptive right to shares of stock where the charter capital is increased at the company’s expense.

CHAPTER XIII. LIQUIDATION OF A COMPANY

Article 178. The Liquidation of a Company

1. A company is subject to liquidation:
   1) upon expiration of the period of time for which it was founded where the articles of association of a company provide for such period of time;
   2) in pursuance to an appropriate resolution of the general shareholders’ meeting as proposed by the board of directors (supervisory board) or management committee, adopted by a majority of the votes required to amend the articles of association of the company;
   3) according to a court judgment rendered on the basis of a petition filed by shareholders, cumulatively holding not less than 10% of the shares of stock, where there are important grounds for liquidating the company based upon relations amongst the shareholders;
   4) according to a court judgment where the articles of association of the company are found not to comply with current legislation upon a petition filed by the board of directors (supervisory board) or management committee or governmental bodies authorized to perform the state registration of legal persons.

If a company’s property is insufficient to cover the liquidation costs, the registration of the company may be revoked by a court judgment without conducting liquidation proceedings.

2. In the event of the voluntary liquidation of a company, the board of directors (supervisory board) of the company under liquidation submits a resolution to the general shareholders’ meeting about liquidating the company and setting up a liquidation committee.
The general shareholders’ meeting of a company, being subject to voluntary liquidation, adopts a resolution on liquidating the company and setting up a liquidation committee.

Where liquidation is carried out according to a court judgment, the court decides the number of members and the composition of the liquidation committee. The members of the liquidation committee may be replaced by other persons in a procedure identical to that for appointments to the liquidation committee.

3. Where a shareholder of company under liquidation is the state or a municipal entity, holding at least 10% of the voting shares of stock of the company, the liquidation committee includes a representative of an appropriate committee for property management or a property fund or an appropriate body of a municipal entity.

4. All duties for managing the company’s property and its operations, envisaged by a law for corporate officers, are imposed upon members of the liquidation committee, and in the event of a violation of these duties, members of the liquidation committee are required to indemnify the company for damages on the basis of the norms of the present Law governing acts of corporate officers.

Article 179. The Voluntary Liquidation of a Company

1. From the moment of selection of a liquidation committee, it is required to promptly file a statement with the appropriate registration authority containing information about the liquidation of the company. As of the date of submission of such statement until the liquidation of the company is completed, all legal documents and business correspondence, including the exchange of information by means of electronic communications, must show the company’s firm name accompanied by the phrase “in liquidation”.

2. The liquidation committee must use an appropriate periodical not less than three times to publish information on liquidation of the company, liquidation proceedings and the terms and conditions upon which claims of creditors are satisfied. It also must seek to identify the company’s creditors and to notify them about the liquidation of the company.

3. Within one month after its appointment, the committee must develop and provide the general shareholders’ meeting of the company under liquidation with an interim balance sheet which must contain information on the property of the company under liquidation, the claims of its creditors and the results of the verification of the merits thereof. The interim liquidation balance sheet is approved by the general shareholders’ meeting of the company. Prior to the end of each fiscal year of a company
under liquidation, the liquidation committee also is required to compile liquidation balance sheets and liquidation progress reports.

4. The liquidation committee procures the economically sound, efficient, cost effective and prompt sale of all property required for repayment of the company's debts and distribution of the remaining property under the provisions of the present Law. To this end, the liquidation committee is entitled to conclude new transactions for and on behalf of the company and, also, to support the company's active operations for a certain period of time where this is necessary in order to generate additional income in the course of liquidation. Members of the liquidation committee represent the company in all respects related to the liquidation thereof, participate in legal proceedings and may enter into amicable agreements unless this is not as envisaged by domestic legislation.

Article 180. The Satisfaction of Claims of Creditors against Companies under Liquidation

1. The claims of creditors that are subject to satisfaction are satisfied in the order of the filing thereof. The claims of creditors that are subject to satisfaction are [not] satisfied without registering an appropriate application in the register of the company's creditors. Where the liquidation committee fails to recognize a creditor's claim, it is entitled to bring a lawsuit for satisfaction thereof in compulsory proceedings. Prior to the resolution of such dispute by a court, the company represented by its liquidation committee must deposit with the court a sum of money equal to the amount of the claim. Claims that have not matured, at the discretion of the liquidation committee, may be subject to early satisfaction, or the amount required for satisfaction thereof must be deposited by the liquidation committee pursuant to the provisions of legislation.

2. Where, in the course of liquidation, it is discovered that a company's property is not sufficient to satisfy claims of all the creditors, the liquidation committee immediately must initiate proceedings in bankruptcy. For failing to perform this duty, members of the liquidation committee bear liability for indemnifying the company's creditors for their damages.

Article 181. Distribution of Property of a Company under Liquidation amongst its Shareholders

1. The property of a company under liquidation, remaining after completion of settlements with creditors, is distributed by the liquidation committee amongst its shareholders in the following order of priority:
1) first priority is for payments upon shares of stock which must be
redeemed pursuant to the provisions of the present Law;
2) second priority is for payments of accrued but non-paid dividends
on preferred shares of stock and payments of the liquidation value on
preferred shares of stock;
3) third priority is for distribution of property of the company under
liquidation amongst its shareholders holding common shares of stock and
all types of preferred shares of stock.

2. Distribution of property amongst shareholders of each subsequent
order of priority takes place only upon the distribution in full of property
amongst all shareholders of the previous order of priority. Payment of the
liquidation value on a particular type of preferred shares of stock, as set
forth in the articles of association of the company, only takes place after
payment in full of the liquidation value on preferred shares of stock held
by shareholders of the previous order of priority as set forth in the articles
of association of the company.

Where a company’s property is insufficient for the distribution of
dividends that have accrued but have not been paid, and for the liquidation
value as set forth in the articles of association of the company, amongst
all shareholders who are holders of preferred shares of stock of the same
type, such property is distributed amongst the shareholders who are hold-
ers of such type of preferred shares of stock in proportion to the number
of shares of such type held by them.

3. Distribution of property of a company under liquidation, amongst
its shareholders, only takes place after the expiration of one year follow-
ing the third publication of information on liquidation of the company.
During this time, the liquidation committee must deposit funds, subject
to distribution amongst the company’s shareholders’, into a special ac-
count pursuant to legislation. If a dispute arises amongst the shareholders
regarding the distribution of property of a company under liquidation,
the liquidation committee must suspend the distribution of such property
until an appropriate court judgment is rendered and only proceed with
such distribution pursuant to the court judgment after it enters into legal
force.

Article 182. Completion of Liquidation

1. As of the moment of completion of distribution of a company’s
property, a closing (liquidation) balance-sheet is compiled. The liquida-
tion committee advises the registration authority of completion of the
company’s liquidation so that an entry of this fact is made in the state
register.
2. Where, after the registration of completion of a company's liquidation, property other than property belonging to the company is discovered, upon the motion of an interested party or by virtue of a law, a court must resume liquidation and appoint a liquidation committee. The sole task of the liquidation committee in this case is to sell such discovered property and distribute the proceeds therefrom amongst the shareholders in accordance with the distribution rules as envisaged by the present Law and the articles of association of the company. For such purposes, a legal person is deemed to have resumed its operations with restrictions upon the rights thereof to engage in business with the exception of its legal capacity to sell such discovered property and distribute the proceeds therefrom amongst its shareholders.

3. The discovery of new creditor claims does not result in resumption of the liquidation process.

4. The liquidation committee is required to keep books, documents and other information carriers of the liquidated company for five years following the liquidation of such company. Upon expiration of the aforementioned period, it has the right to destroy them pursuant to data protection legislation.

5. Liquidation of a company is deemed to be completed and the company is deemed to cease to exist from the moment the registration authority makes an appropriate entry in the state register.

Article 183. Liability of Shareholders

1. If a company under liquidation does not have sufficient property to satisfy all the claims of creditors, its shareholders are personally liable without limitation for such debts of the company where the shareholder have unlawfully abused the limitations of their liability for the company’s obligations to the damage [v ubytok] of its creditors.

2. A shareholder may, pursuant to clause 1 of the present Article, also be held liable if:
   — they used property of the company as though it were their own property;
   — they gave instructions that accounting records of the company be maintained so as to make it impossible or difficult to categorize such property as that of the company or the shareholders;
   — they reduced the amount of property of the company for their own benefit or for the benefit of third persons such that they knew or must have known the company subsequently would be unable to repay its debts to its creditors.
CHAPTER XIV. LIABILITY

Article 184. False Reporting

A founder, shareholder or corporate officer bears criminal liability where they submit reports, as envisaged by the present Law, which are materially untrue, incomplete and otherwise fail to materially comply with the existing requirements or factual circumstances.

Article 185. False Balance Sheet

A person preparing a false balance sheet or profit-and-loss statement, or falsely determining profits or losses of a shareholder so as to itself make or to enable a third party to derive profits or adversely impact the company or a third party, bears criminal liability.

Article 186. Liability for Evasion of Declaring Bankruptcy

Corporate officers bear criminal liability for failing to institute or for evading the institution of bankruptcy proceedings after the company has become insolvent.

Contents

CHAPTER I. GENERAL
CHAPTER II. FORMATION OF A COMPANY
CHAPTER III. SHARES OF STOCK
CHAPTER IV. RIGHTS AND DUTIES OF SHAREHOLDERS
CHAPTER V. A COMPANY’S DIVIDENDS
CHAPTER VI. THE CHARTER CAPITAL OF A COMPANY
CHAPTER VII. BODIES OF A COMPANY
   I. General
   II. The General Shareholders’ Meeting
   III. The Supervisory Board
   V. Management Committee
   V. Board of Directors
   VI. Responsibility of Corporate Officers
CHAPTER VIII. CORPORATE TRANSACTIONS WITH SPECIAL CONDITIONS
   I. Transactions with Conflict of Interest

These are recommendations that are subject to inclusion into the Criminal Code. [Translator’s note: This asterisked footnote and the comments, preceding this note, appear in the original Russian-language version of the Model Law.]
II. Major Transactions
CHAPTER IX. ACCOUNTING, REPORTING, AUDIT AND DISCLOSURE
CHAPTER X. CHANGE OF SHAREHOLDERS UNDER SPECIAL CONDITIONS
   I. Squeezing out Shareholders
   II. Redeeming Shares upon Demand of Shareholders
CHAPTER XI. CORPORATE REORGANIZATION
   I. Merger and Acquisition
   II. Split-up and Spin-off
   III. Transformation
CHAPTER XII. A GROUP OF COMPANIES
CHAPTER XIV. LIABILITY
Afterword: EBRD Support for CIS Model Laws

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For the past twelve years, the European Bank for Reconstruction and Development (the “EBRD”) has been cooperating with the Inter-Parliamentary Assembly of the Commonwealth of Independent States (the “CIS IPA”) on the development of certain key CIS model laws. These are instruments of harmonisation and integration based on international best practice that have a non-binding nature of guidance.

According to the 14 April 2005 Resolution of the CIS IPA, model laws are aimed at harmonising legislation among CIS countries; improving current laws for resolving regulatory problems and tasks; and bringing these laws closer to international standards of best practice. This is done by developing non-binding model laws based on international principles of best standards which are then recommended for use in the national legislation of the CIS member states. The Commonwealth of Independent States (CIS) is made up of eleven member states: Armenia, Azerbaijan, Belarus, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Turkmenistan and Uzbekistan, however, are not part of the CIS IPA.

The model laws allow the EBRD to reach out within a single Technical Cooperation project to a number of countries with more or less similar legal systems, thus making technical cooperation more cost-effective.

To date, the EBRD has provided technical assistance for four model laws, all of which have been approved by the CIS IPA and recommended for implementation in national legislation. These are the Model Securities Law (approved in 2001), the Model Investor Protection Law (approved

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1 The views expressed in this article represent those of the author; these may not coincide with and should not be regarded as the views of the EBRD.
2 For more information, see the CIS IPA and EBRD websites <www.iacis.ru> and <www.ebrd.com/law>, respectively.

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in 2005), the Model Banks Insolvency Law (approved in 2005), and, most recently, the Model Company Law to which this Special Issue is devoted.

With this most recent law, the EBRD and CIS IPA have completed an upgrade of CIS corporate-sector model legislation. This represents the logical conclusion to the series of model laws governing the corporate sector.

On 28 October 2010, the EBRD-sponsored Model Company Law was presented at and successfully approved by at the Plenary Session of the CIS Inter-Parliamentary Assembly in the presence of speakers from the national parliaments of member countries.

The model law was developed with technical and financial support from the European Bank for Reconstruction and Development secured with grant funding provided by the Government of the Federal Republic of Germany.

This present publication presents the text of the Model Law together with a Commentary discussing many of the key issues and novelties, which significantly upgrades the old CIS Model Company law approved in 1996. The new model law provides for a modern regime taking into account post-Enron corporate regulation and governance developments and trends thereby assuring enhanced protection of both shareholders’ rights and other stakeholders’ interests.

In addition, the EBRD and the CIS IPA will soon publish the results of the assessment of how and to what extent the corporate sector model laws have been implemented in national legislation by member states. So as to offer the readers of this publication a rough preview of the more detailed evaluation, one conclusion is that on average over two-thirds of the principles and provisions of the 2001 Model Securities Law and the 2005 Model Law on Protection of Investors in Securities Markets have been followed by, and implemented in, national legislation.

5 Model’nye zakonodatel’nye Polozheniya dlia gosudarstv – uchastnikov SNG o zashchite prav investorov na rynke tsennykh bumag” of 14 April 2005; reproduced at <http://www.iacus.ru/html/?id=22&pag=191&nid=1>
6 Model Law “O bankrotstve bankov” of 8 June 1997; reproduced at <http://www.iacus.ru/html/?id=22&pag=52&nid=1> was the prior version; the most recent redaction is “O bankrotstve bankov” of 18 November 2005; reproduced at <http://www.iacus.ru/html/?id=22&pag=584&nid=1>
8 The project was administered by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (formerly GTZ).
CIS Model Company Law

In April 2005 the CIS IPA’s Council compiled a legislative activity plan for 2005–2010. This included the CIS Model Joint-Stock Companies Law. A Working Group composed of representatives of national parliaments, ministries and legal experts was formed to elaborate the draft law and associated documents.

In the course of the project implementation, the Working Group and its drafting team—comprising academics and practicing lawyers who are prominent experts in corporate law from Germany and CIS countries—undertook a consultation process within the CIS countries and benefited from numerous commentaries from various officials, experts and stakeholders groups. The following grounds were established by the WG at the outset, and these features of the Model Company Law are worth noting.

Due to the fact that all CIS countries have joint-stock company laws, there was no need to develop an entirely new law “On Joint-Stock Companies”. Rather, the task was to synthesise current laws and best practices of their use together with the recent global trends as the basis of the Model Law. A notable example is the lifting of the distinction in regulating open and closed joint-stock companies, which is being implemented in a growing number of CIS countries.

The Model Company Law is closely connected with other model CIS legislative acts, notably, the CIS Model Civil Code and corporate sector model laws. Against the background of the fact that the joint-stock company laws in the CIS countries already exist and differ from each other, the Working Group decided to provide for alternative options in the present Law where an issue relates to policy as opposed to a technical solution. For example, Chapter V of the Model Law offers two alternatives for a company’s governance and management structures.

One more challenge for the Working Group was to develop solutions to issues where currently there are legislative gaps including certain obvious situations that are not regulated in any CIS country. From this point of view, one can take particular note of the provisions of Chapter XII relating to groups of companies—a concept not yet sufficiently recognised in all the CIS countries.

Since a model law is merely a recommendation by its nature, it was deemed necessary to provide a set of explanations to accompany the present Model Law. These have been compiled in a Commentary the objective of which is to justify the proposed specific recommendations; to provide legislatures with background information and food for thought; to help make a clear distinction between fundamental principles and technical solutions (in particular, where such principle points as opposed
to the whole text would be considered for implementation); to specify grounds for alternative provisions and to facilitate making a choice for this or that option.

Importantly, the policy variations behind a particular rule or principle are explained. Often in this area of regulation, there is a fine balance between the interests of shareholders, creditors, directors, employee, etc. This balance is made on the basis of various factors—strategic, economic and cultural—in addition to those pertaining purely to law. In this sense, the Model Law and the Commentary represent an incentive for, and contribution to, further academic debate in the CIS countries and also, for example, in the wider spaces of the European Legal Space.