

# CIVIL CODE OF THE REPUBLIC OF TAJIKISTAN

## CHAPTER 4. LEGAL PERSONS

### # 1.BASIC PROVISIONS

#### **Article 48. Definition of a Legal Person**

1. A legal person is an organization that has separate property under ownership, economic management, or operative administration and that is liable for its obligations with this property and that may, in its own name, obtain and exercise property and personal nonproperty rights, bear duties, and be a plaintiff and defendant in court.

Legal persons must have an independent balance sheet or budget.

2. In connection with participation in the formation of the property of a legal person, its founders (or participants) may have rights under the law of obligations with respect to this legal person or rights in things with respect to its property.

Legal persons with respect to which their participants have rights under the law of obligations include: business partnerships and companies, production and consumer cooperatives.

Legal persons to whose property their founders have the right of ownership include: unitary enterprises including daughter enterprises and also institutions financed by the owner.

3. Legal persons with respect to which their founders (or participants) do not have property rights include: societal and religious organizations (or amalgamations), charitable and other public foundations, and amalgamations of legal persons (associations and unions).

#### **Article 49. Legal Capacity of a Legal Person**

1. A legal person may have civil law rights corresponding to the purposes of activity provided in its founding documents and bear the duties connected with this activity.

Commercial organizations, with the exception of unitary enterprises and other types of organizations provided by a statute, may have civil law rights and bear civil law duties necessary for conducting any types of activity not forbidden by a statute.

A legal person may engage in certain types of activity, a list of which is determined by a statute, only on the basis of special permission (or a license).

2. A legal person may be limited in rights only in cases and by the procedure provided by a statute. A decision on limitation of rights may be appealed by the legal person to a court.

3. The legal capacity of a legal person shall arise at the time of its creation (Part 2 of Article 51) and shall terminate at the time of completion of its liquidation (Paragraph 8 of Article 64).

The right of a legal person to conduct activity, to engage in which it is necessary to obtain a license (Paragraph 1 of the present Article), shall arise from the time of receipt of such a license or at the time indicated in it and shall terminate on the expiration of the term of its effectiveness, unless otherwise established by legislation.

#### **Article 50. Commercial and Noncommercial Organizations**

1. Organizations seeking to make profit as the basic purpose of their activity (commercial organizations) or not having making profit as such a purpose and not distributing profit received among their participants (non-commercial organizations) may be legal persons.

2. Legal persons that are commercial organizations may be created in the form of economic partnerships and companies, production cooperatives, and state and municipal unitary enterprises.

3. Legal persons that are non-commercial organizations may be created in the form of consumer cooperatives, societal or religious organizations (or amalgamations) financed by the owner of the institutions, charitable and other foundations, and also in other forms provided by a statute.

Non-commercial organizations may conduct entrepreneurial activity only to the extent that this serves the attainment of the purposes for which they are founded and corresponds to these purposes.

4. The creation of amalgamations of commercial and/or non-commercial organizations in the form of associations and unions is permitted.

#### **Article 51.State Registration of Legal Persons**

1. A legal person is subject to state registration at the agencies of justice by the procedure determined by the statute on registration of legal persons. The data of state registration, including the firm name of commercial organizations, shall be included in a unified state register of legal persons open for public access.

Violation of the procedure established by a statute for the formation of a legal person or failure of its founding documents to correspond to a statute shall entail refusal of state registration of the legal person. Refusal of registration on grounds of the inexpediency of creating the legal person is not allowed.

A refusal of state registration and also avoidance of such registration may be appealed to a court.

2. A legal person shall be considered created from the time of its state registration.

3. A legal person shall be subject to re-registration only in instances provided by a statute.

#### **Article 52. Founders of a Legal Person**

1. A legal person may be founded by one or more founders.

2. Founders of a legal person may be the owners of the property or agencies and persons authorized by them and, in cases expressly stipulated by legislative acts, other legal persons. In that respect, legal persons which own the property by the right of economic management or operative administration may be the founders of other legal persons with the consent of the owner or an agency authorized by him.

#### **Article 53.Founding Documents of a Legal Person**

1. A legal person shall act on the basis of a charter, a founding contract and a charter, or only a founding contract. In cases provided by a statute, a legal person that is not a commercial organization may act on the basis of a general provision for organizations of the given type.

The founding contract for a legal person shall be concluded, and the charter shall be approved, by its founders (or participants).

A legal person created in accordance with the present Code by a single founder shall act on the basis of a charter approved by this founder.

2. The charter and founding documents of a legal person must indicate the name of the legal person, its seat, and the procedure for managing its activity; they also must contain the other information required by a statute for legal persons of the respective type.

The founding documents of noncommercial organizations and unitary enterprises and, in cases provided by a statute, also of other commercial organizations, must define the object and purposes of the activity of the legal person. The object and defined purposes of the activity of a commercial organization may be provided by the founding documents.

In a founding contract the parties (founders) obligate themselves to create a legal person and define the procedure for joint activity for its founding and the conditions of transfer of their property to it and of participation in its activity. The contract also defines the terms and procedure for distribution among the participants in profits and losses, for the management of the activity of the legal person, and for the exit of founders (or participants) from its composition.

3. Changes in founding documents take effect for third persons from the time of the state registration of the changes, and in cases established by a statute, from the time of notifying the agency conducting state registration of such changes. However, legal persons and their founders (or participants) do not have the right to cite the absence of the registration of such changes in relations with third parties who have acted taking these changes into account.

#### **Article 54. Bodies of a Legal Person**

1. A legal person obtains civil law rights and undertakes civil law duties through its bodies acting in accordance with legislation and the founding documents.

The procedure for appointing or electing bodies of a legal person shall be determined by a statute and the founding documents.

2. In cases provided by a statute a legal person may obtain civil law rights and undertake civil law duties through its participants.

3. A person who, by virtue of a statute or the founding documents of a legal person, acts in its name must act in the interests of the legal person represented by him in good faith and reasonably. This person shall be obligated on demand of the founders (or participants) in the legal person, unless otherwise provided by a statute or contract, to compensate for the damages caused by him to the legal person.

#### **Article 55. The Name and Seat of a Legal Person**

1. A legal person shall have its own name, containing an indication of its organizational-legal form. The names of non-commercial organizations and also of unitary enterprises and, in cases provided by a statute, of other commercial organizations must contain an indication of the nature of the activity of the legal person.

The inclusion of the indications to the official full or abbreviated name (name of the state) into the name of a legal person, the inclusion of such a name or elements of the national symbolics into the requisites of documents or advertisement materials of a legal person shall be allowed by procedure determined by the Government.

2. The seat of a legal person is determined by the place of its state registration, unless, in accordance with a statute, it has been established otherwise in the founding documents of the legal person.

3. The name and seat of a legal person shall be indicated in its founding documents.

4. A legal person that is a commercial organization must have a firm name.

A legal person whose firm name has been registered by the established procedure has the exclusive right to its use.

A person who has unlawfully used another's registered firm name, on demand of the holder of the right to the firm name, shall be obligated to stop its use and compensate for the damages caused.

The procedure for registration and use of firm names shall be determined by a statute and other legal acts in accordance with the present Code.

### **Article 56. Representative Offices and Branches**

1. A representative office is a separate subdivision of a legal person located outside the place where the legal person is located which represents the interests of the legal person and engages in their protection and make transactions and other legal actions in its name.

2. A branch is a separate subdivision of a legal person located outside the place where the legal person is located and conducting all its functions or part of them, including the function of representation.

3. Representative offices and branches are not legal persons. They are allotted property by the legal person that has created them and act on the basis of regulations approved by it.

The heads of representative offices and branches are appointed by the legal person and act on the basis of a power of attorney from it.

Representative offices and branches must be indicated in the charter of the legal person that has created them.

### **Article 57. Liability of a Legal Person**

1. Legal persons other than owner-financed institutions shall be liable for their obligations with all property belonging to them.

2. A Treasury enterprise or an institution financed by its owner shall be liable for its obligations by the procedure and on the conditions provided by Paragraph 7 of Article 124, by Article 127, and by Article 132 of the present Code.

3. The founder of (or a participant in) a legal person or the owner of its property shall not be liable for the obligations of the legal person, and the legal person shall not be liable for the obligations of the founder (or participant) or owner, with the exception of cases provided by the present Code or by the founding documents of the legal person.

If the insolvency (or bankruptcy) of a legal person is caused by the founders (or participants), by the owner of the property of the legal person, or by other persons that have the right to give instructions obligatory for this person or otherwise have the possibility to determine its actions, then subsidiary liability for its obligations may be placed upon such persons in case of insufficiency of the property of the legal person.

### **Article 58. Reorganization of a Legal Person**

1. Reorganization of a legal person (merger, accession, division, spin-off, transformation) may be realized by decision of its founders (or participants) or by the body of the legal person so authorized by the founding documents.

2. Instances and procedure for the forced reorganization of commercial organizations by court decision may be stipulated by a statute for the purposes of the restriction of monopolistic activities.

If the founders of (or the participants in) a legal person, a body authorized by them, or a body of the legal person authorized to reorganize it by the founding documents fails to conduct the reorganization of the legal person within the period determined by a decision of a court, a court shall designate an outside manager for the legal person and delegate to him the conduct of the reorganization of this legal person. From the time of designation of an outside manager, the powers for managing the affairs of the legal person shall pass to him. The outside manager shall act in the name of the legal person in court, compile the division balance sheet and submit it for consideration by the court together with the founding documents of the legal persons arising as the result of the reorganization. Approval by the court of these documents shall be the basis for state registration of the newly arising legal persons.

3. In cases established by a statute, the reorganization of legal persons in the form of merger, accession, or transformation may be conducted only with the consent of authorized state agencies.

4. A legal person shall be considered reorganized, with the exception of cases of reorganization in the form of accession, from the time of state registration of the newly arising legal persons.

In case of reorganization of a legal person in the form of accession of another legal person to it, the first of them shall be considered reorganized from the time of making in the single state register of legal persons of an entry on the termination of activity of the joining legal person.

#### **Article 59. Legal Succession Upon the Reorganization of Legal Persons**

1. In case of the merger of legal persons, the rights and duties of each of them shall pass to the newly arising legal person in accordance with the transfer document.

2. In case of accession of a legal person to another legal person, the rights and duties of the acceding legal person shall move to the latter in accordance with the transfer document.

3. In case of division of a legal person, its rights and duties shall pass to the newly formed legal persons in accordance with the division balance sheet.

4. In case of the spin-off from a legal person of one or several legal persons, the rights and duties of the reorganized legal person shall pass to each of them in accordance with the division balance sheet.

5. In case of transformation of a legal person of one type into a legal person of another type (a change of organizational-legal form), the rights and duties of the reorganized legal person shall pass to the newly arising legal person in accordance with the transfer document.

#### **Article 60. The Transfer Document and the Division Balance Sheet**

1. The property rights and obligations of a legal person under reorganization shall be transferred to a newly arising legal person: in case of merger and accession – in accordance with

a transfer document; in case of division and spin-off – in accordance with a division balance sheet.

The transfer document and the division balance sheet must contain provisions on legal succession for all obligations of the reorganized legal person with respect to all its creditors and debtors, including also obligations contested by the parties.

2. The transfer document and the division balance sheet must be approved by the founders of (or participants in) the legal person or by the agency that has taken the decision to reorganize the legal person and must be presented together with the founding documents for state registration of the newly arising legal persons or for entering changes in the founding documents of existing legal persons.

Failure to present the corresponding transfer document or division balance together with the founding documents, and also the absence in them of provisions on legal succession to the obligations of the reorganized legal person shall entail a refusal of state registration for the newly arising legal person.

### **Article 61. Guaranties of Rights of Creditors of a Legal Person Upon Its Reorganization**

1. The founders of (or participants in) the legal person or the agency that has adopted a decision to reorganize the legal person are obligated to notify the creditors of the reorganized legal person of this in writing.

2. A creditor of the reorganized legal person shall have the right to demand termination or early performance of legal obligations for which this legal person is a debtor and compensation for damages.

3. If the division balance sheet does not provide the possibility of determining the legal successor of the reorganized legal person, the newly arisen legal persons bear joint and several liability for the obligations of the reorganized legal person to its creditors.

### **Article 62. Liquidation of a Legal Person**

1. Liquidation of a legal person shall entail its termination without transfer of rights and duties by way of legal succession to other persons.

2. A legal person may be liquidated:

by a decision of its founders (or participants) or of the agency of the legal person empowered thereto by the founding documents, including in connection with the expiration of the term for which the legal person was created, with the achievement of the purpose for which it was created, or with declaration by a court that the registration of a legal person is invalid in connection with violations of legislation committed at its creation, if these violations have an irremediable nature;

by a decision of a court in case of conduct of activity without appropriate permission (or license) or of activity prohibited by a statute, or with other multiple or gross violations of legislation, or in case of systematic conduct of activity contradicting the charter of a legal person purposes, and also in other cases provided by the present Code.

3. A demand for the liquidation of a legal person on the bases indicated in Paragraph 2 of the present Article may be presented in court by a state agency or an agency of local self-government to whom the right for presenting such a demand has been granted by a statute.

A decision of a court for the liquidation of a legal person may impose obligations for the conduct of the liquidation of the legal person on its founders (or participants) or the agency authorized for the liquidation of the legal person by its founding documents.

4. A legal person that is a commercial organization or is operating in the form of a consumer cooperative, or a charitable or other foundation, also may be liquidated in accordance with Article 67 of the present Code as the result of declaration of it as insolvent (or bankrupt).

If the value of the property of such a legal person is insufficient for satisfaction of the claims of creditors, it may be liquidated only by the procedure provided by Article 65 of the present Code.

The provisions on the liquidation of legal persons as the result of insolvency (or bankruptcy) do not extend to institutions.

### **Article 63. Duties of a Person Who has Taken a Decision to Liquidate a Legal Person**

1. The founders of (or participants in) a legal person or the agency that has taken a decision to liquidate a legal person are obligated to immediately report about this in writing to the agency that conducts state registration of legal persons, which shall enter in the single state register of legal persons information to the effect that the legal person is in the process of liquidation.

2. The founders of (or participants in) the legal person or the agency that has taken the decision to liquidate the legal person shall appoint, with the consent of the agency exercising state registration of legal persons, a liquidation commission (or liquidator) and shall establish, in accordance with the present Code, the procedure and periods for liquidation.

3. From the time of appointment of a liquidation commission, the powers for the management of the affairs of the legal person shall pass to it. In particular, all acts of bodies of a legal person aimed at the alienation of its property or at the cancellation of debts shall be committed only with the consent of the liquidation commission.

### **Article 64. The Procedure for Liquidation of a Legal Person**

1. The liquidation commission shall place, in the press media in which data on state registration of a legal person are published, a publication about its liquidation and about the procedure and period for the submission of claims by its creditors. This period may not be less than two months after the time of publication about the liquidation.

The liquidation commission shall take measures for the discovery of creditors and for the receipt of debtor indebtedness and also shall inform creditors in writing about the liquidation of the legal person.

2. After the period for the presentation of claims by creditors, the liquidation commission shall compile an intermediate liquidation balance sheet, which shall contain information on the composition of the property of the legal person undergoing liquidation, on a list of the claims presented by creditors, and also about the results of their consideration.

The intermediate liquidation balance sheet shall be confirmed by the founders of (or participants in) the legal person or by the agency that made the decision to liquidate the legal person, by agreement with the agency conducting state registration of legal persons.

3. If the monetary assets available to the legal person (with the exception of institutions) being liquidated are insufficient for the satisfaction of the claims of creditors, the liquidation commission shall conduct the sale of the property of the legal person at a public auction by the procedure established for the execution of judicial decisions.

4. Payment of monetary sums to creditors of the legal person being liquidated shall be made by the liquidation commission in the order of priority established by Article 64 of the present Code, in accordance with the intermediate liquidation balance sheet, beginning from the day of its approval, with the exception of creditors of the fifth priority, payment to whom shall be made at the expiration of one month from the day of approval of the intermediate liquidation balance.

5. After settlement of accounts with creditors, the liquidation commission shall compile a liquidation balance sheet, which shall be approved by the founders of (or participants in) the legal person or by the agency that took the decision for the liquidation of the legal person, by agreement with the agency conducting state registration of legal persons.

6. In case an institution being liquidated has insufficient property, or an institution being liquidated has insufficient monetary assets for satisfying the demands of creditors, the creditors shall have the right to go to court with a suit for satisfaction of the remaining demands at the expense of the owner of the property of this institution.

7. Property of the legal person remaining after the satisfaction of the claims of creditors shall be transferred to its founders (or participants) who have the rights in things to this property or obligation rights with respect to this legal person unless otherwise provided by a statute, other legal acts, or the founding documents of the legal person.

8. The liquidation of the legal person shall be considered complete and the legal person shall be considered to have ceased its existence after the entry of a notation to this effect in the single state register of legal persons.

#### **Article 65. Satisfaction of the Claims of Creditors**

1. In the liquidation of a legal person, the claims of its creditors shall be satisfied in the following order:

in the first priority, claims of citizens to whom the entrepreneur is liable for causing of harm to life or health shall be satisfied by capitalization of the respective periodic payments;

in the second priority, settlements shall be made for the payment of severance allowances and payment for labor with persons working under a labor agreement, including contract-in-writing employment, and also for payment of compensation under publishing contracts;

in the third priority, claims of creditors secured by pledge of property of the legal person being liquidated shall be satisfied;

in the fourth priority, indebtedness for obligatory payments to the fisc and to off-budget funds shall be covered;

in the fifth priority, accounting with other creditors shall be made in accordance with a statute.

2. The claims of each priority shall be satisfied after the full satisfaction of the claims of the previous priority.

3. In case of insufficiency of the property of the legal person being liquidated, it shall be distributed among creditors of the respective priority proportionally to the amount of claims subject to satisfaction, unless otherwise established by a statute.

4. In case of refusal by the liquidation commission to satisfy the claims of a creditor or of declining to consider them, the creditor shall have the right, before the approval of the liquidation balance sheet, to bring a suit in court against the liquidation commission. By decision of the court the claim of the creditor may be satisfied at the expense of the remaining property of the legal person undergoing liquidation.

5. Claims of creditors presented after the period established by the liquidation commission for their presentation shall be satisfied from the property of the legal person undergoing liquidation that remains after the satisfaction of the claims of creditors presented on time.

6. The claims of creditors not satisfied because of the insufficiency of the property of the liquidated legal person shall be considered canceled with the exception of the case provided by Article 68 of the present Code. Creditors' claims not recognized by the liquidation commission shall be considered canceled if the creditor has not brought a suit in court, and also claims for which the creditor has been refused satisfaction by a decision of a court shall be considered canceled.

#### **Article 66. Insolvency (or Bankruptcy) of a Legal Person**

1. A legal person that conducts commercial activity may be declared insolvent (or bankrupt) by decision of a court, if it is not in a position to satisfy the claims of creditors due to the insufficiency of its liquid assets.

2. A legal person shall be declared bankrupt by court. A legal person may jointly with creditors take a decision to declare its insolvency (or bankruptcy) and voluntary liquidation.

3. The grounds for a declaration by a court of a legal person insolvent (or bankrupt) or for declaration by a legal person of its own insolvency (or bankruptcy) and also the procedure for liquidation of such a legal person shall be established by the statute on insolvency (or bankruptcy). The claims of creditors shall be satisfied in the order provided by Paragraph 1 of Article 65 of the present Code.

#### **Article 67. Consequences of the Declaration of a Legal Person Insolvent (or Bankrupt)**

1. The declaration of a legal person insolvent (or bankrupt) by court as well as the declaration of a legal person of its insolvency by a joint decision with its creditors shall entail the liquidation of this legal person.

2. From the time of declaration of a legal person insolvent:

- a) all unpaid obligations of this legal persons shall be deemed due unless they have become due earlier;
- b) the accrument of penalty and interests on all unpaid obligations of this legal person shall be stopped;
- c) all restrictions concerning the levy of execution on the property of this legal person stipulated by legislation shall be lifted;
- d) disputes of property nature with the participation of this legal person in the capacity of a defendant shall be terminated except for those disputes in relation to which decisions have entered their legal force;
- e) all claims of property nature may be presented to this legal person only within the boundaries of liquidation proceedings.

3. If a legal person declares its insolvency by a joint decision with its creditors, the rules of Paragraph 2 of the present Article shall be applied unless agreement with creditor established otherwise.

### **Article 68. Levying of Execution on the Property Belonging to a Legal Person After Its Liquidation**

If after the liquidation of a legal person, it is proved that the legal person transferred to another person or otherwise intentionally concealed at least a part of its property for the purpose of avoiding the liability to its creditors, the creditors whose claims have not been completely satisfied with liquidation proceedings shall be entitled to levy execution on this property to the extent of the unpaid part of indebtedness. In such a case, rules of Article 324 of the present Code shall be applied correspondingly. A person to whom the property has been transferred shall be deemed a bad faith person unless it knew or should have known of the intention of the legal person to conceal this property from creditors.

## **# 2. BUSINESS PARTNERSHIPS AND COMPANIES**

### **1. General Provisions**

#### **Article 69. Basic Provisions on Business Partnerships and Companies**

1. Business partnerships and companies are commercial organizations with charter (or investment) capital broken down into the shares (or contributions) of the founders (or participants). Property created at the expense of the contributions of the founders (or participants) and also that produced or obtained by the business partnership or company in the process of its activity shall belong to it by right of ownership.

In cases provided by the present Code, a business company may be created by one person, who shall become the only participant.

2. Business partnerships may be created in the form of a general partnership or a limited partnership (a special partnership).

3. Business companies may be created in the form of a joint-stock company, a company with limited liability, or a company with supplementary liability.

4. Individual entrepreneurs and/or commercial organizations may be participants in general partnerships and the general partners in limited partnerships.

Citizens and legal persons may be participants in business companies and investors in limited partnerships.

State agencies and agencies of local self-government do not have the right to be participants in business companies nor investors in limited partnerships, unless otherwise established by a statute.

Institutions financed by their owners may be participants in business companies and investors in partnerships with the permission of the owner, unless otherwise established by a statute.

A statute may forbid or limit the participation of individual categories of citizens in business partnerships and companies, except in open joint-stock companies.

5. Business partnerships and companies may be founders of (or participants in) other business partnerships and companies with the exception of cases provided by the present Code and other statutes.

6. An investment in the property of a business partnership or company may be money, securities, other things, or property rights or other rights having a monetary evaluation.

The monetary evaluation of the investment of a participant in a business company shall be made by agreement among the founders of (or participants in) the company and, in cases provided by a statute, shall be subject to independent expert review.

7. Business partnerships and also companies with limited and supplementary liability do not have the right to issue stock.

### **Article 70. Rights and Duties of Participants in a Business Partnership or Company**

1. Participants in a business partnership or company shall have the right:  
to participate in the administration of the affairs of the partnership or company with the exception of the cases provided by Part 2 of Article 89 of the present Code and the statute on joint-stock companies;

to receive information on the activity of the partnership or company and to be acquainted with its books and other documentation by the procedure established by the founding documents;

to take part in the distribution of profit;

to receive, in case of liquidation of the partnership or company, the part of the property left after settlements with creditors, or its value.

Participants in a partnership or company may also have other rights provided by the present Code, statutes on business companies, or the founding documents of the partnership or company.

2. Participants in a business partnership or company are obligated:

to make their investments by the procedure, in the amounts, by the means, and within the periods that are provided by the founding documents;

not to divulge confidential information about the activity of the partnership or company.

Participants in a business partnership or company may also bear other obligations provided by its founding documents.

### **Article 71. Transformation of Business Partnerships and Companies**

1. Business partnerships and companies of one type may be transformed into business partnerships and companies of another type or into production cooperatives by decision of the general meeting of members by the procedure established by the present Code.

2. In case of the transformation of a partnership into a company, each general partner that has become a participant (or stockholder) of the company bears for two years subsidiary liability with all his property for obligations that have passed to the company from the partnership. The alienation by the former partner of the shares (or stock) belonging to him does not free him from such liability. The rules stated in the present Paragraph shall be applied respectively in case of transformation of a partnership into a production cooperative.

## **2. Full Partnership**

### **Article 72. Basic Provisions on a Full Partnership**

1. A full partnership is one whose participants (general partners), in accordance with a contract concluded among them, are engaged in entrepreneurial activity in the name of the partnership and jointly and severally bear liability for its obligations with all property belonging to them.

2. A person may be a participant in only one full partnership.

3. The firm name of a full partnership must contain either the names (or designations) of all its participants and the words “full partnership” or the name (or designation) of one or more participants with the addition of the words “and company” and the words “full partnership.”

### **Article 73. The Founding Contract of a Full Partnership**

1. A full partnership shall be created and act on the basis of a founding contract which also serves as a charter of a full partnership. The founding contract must be signed by all of its participants.

2. The founding contract of a full partnership must contain, in addition to the information indicated in Paragraph 2 of Article 52 of the present Code, terms on the amount and composition of the contributed capital of the partnership; on the amount of and procedure for change in the shares of each of the participants in the contributed capital; on the amount, composition, periods, and procedure for making their contributions, and on the liability of the participants for violating duties to make contributions.

### **Article 74. Management in a Full Partnership**

1. Management of the activity of a full partnership shall be conducted by the general agreement of all the participants. The founding contract of the partnership may provide cases when a decision may be taken by a majority of votes of the participants.

2. Each participant in a full partnership shall have one vote, unless the founding contract provides a different procedure for determining the number of votes of its participants.

3. Each participant in a partnership, regardless of whether he is authorized to conduct the affairs of the partnership, shall have the right to be acquainted with all documentation for the conduct of affairs. A waiver of this right or a limitation of it, including by agreement of the participants in the partnership, shall be void.

### **Article 75. Conduct of the Affairs of a Full Partnership**

1. Each participant in a full partnership has the right to act in the name of the partnership unless the founding contract establishes that all its participants conduct affairs jointly or the conduct of affairs is delegated to individual participants.

In the joint conduct of the affairs of a partnership by its participants, the consent of all the participants in the partnership is required for the making of each transaction.

If the conduct of the affairs of a partnership has been delegated by its participants to one or more of them, then the remaining participants, to conduct affairs in the name of the partnership, must have a power of attorney from the participant (or participants) to whom the conduct of the affairs of the partnership is assigned.

In relations with third persons the partnership does not have the right to rely upon provisions of the founding contract limiting the authority of participants in the partnership with the exception of cases when the partnership shows that the third person at the time of making a transaction knew or obviously should have known of the absence for a participant in the partnership of the right to act in the name of the partnership.

2. Authorizations for the conduct of the affairs of a partnership granted to one or several participants may be terminated by a court on demand of one or several of the other participants in the partnership in case of serious grounds therefore, in particular as the consequence of a gross violation by the authorized person (or persons) of his obligations or of his revealed inability for the sensible management of affairs. On the basis of the judicial decision, the necessary changes shall be made in the founding contract of the partnership.

#### **Article 76. Duties of a Participant in a Full Partnership**

1. A participant in a full partnership is obligated to participate in its activity in accordance with the terms of the founding contract.

2. A participant in a full partnership is obligated to provide not less than half of his contribution to the contributed capital of the partnership by the time of its registration. The remaining part must be provided by the participant within the periods established by the founding contract. In case of nonfulfillment of this obligation the participant is obligated to compensate the partnership for losses caused, unless other consequences are established by the founding contract.

3. A participant in a full partnership does not have the right, without the consent of the remaining participants, to conduct in his own name in his own interests or in the interests of third persons transactions of the same type as those that constitute the subject of activity of the partnership.

In case of violation of this rule the partnership shall have the right at its choice to demand from such a participant compensation for the losses caused to the partnership or to transfer to the partnership of all benefits obtained from such transactions.

#### **Article 77. Distribution of the Profit and Losses of a Full Partnership**

1. The profit and losses of a full partnership shall be distributed among its participants in proportion to their shares in the contributed capital unless otherwise provided by the founding contract or by other agreement of the parties. An agreement for the elimination of any of the participants in the partnership from participation in the profit or in the losses is not allowed.

2. If, as the result of losses incurred by the partnership, the value of its net assets becomes less than the amount of its contributed capital, profit received by the partnership shall not be distributed among the participants until the value of the net assets exceeds the amount of its contributed capital.

#### **Article 78. Liability of the Participants in a Full Partnership for Its Obligations**

1. The participants in a full partnership jointly and severally bear subsidiary liability with their property for the obligations of the partnership.

2. A participant in a full partnership who is not a founder shall be liable equally with other participants for obligations that arose before his entry into the partnership.

3. A participant who has left a partnership shall be liable for obligations of the partnership that arose up to the time he left equally with the remaining participants for three years from the day of approval of the report on the activity of the partnership for the year in which he left the partnership.

4. An agreement of participants in a partnership for the limitation or elimination of the liability provided in the present Article is void.

#### **Article 79. Transfer of the Share of a Participant in the Contributed Capital of a Full Partnership**

1. A participant in a full partnership has the right, with the consent of its remaining participants, to transfer his share in the property of the partnership proportional to his share in the contributed capital or part of it to another participant in the partnership or to a third person.

2. In case of transfer of a share (or part of a share) to another person, the rights belonging to the participant who transferred the share (or part of a share) pass to it in full or in corresponding part. The person to whom a share (or part of a share) passes shall bear liability for the obligations of the partnership by the procedure established by Paragraph 2 of Article 78 of the present Code.

3. The transfer of a whole share to another person by a participant in the partnership terminates the participant's participation in the partnership and entails the consequences provided by Paragraph 3 of Article 78 of the present Code.

#### **Article 80. Levy of Execution on a Participant's Share in the Property of a Full Partnership**

Levy of execution on a participant's share in the contributed capital of a full partnership for individual debts of the participant shall be allowed only in case of insufficiency of his other property to cover the debts. Creditors of such a participant have the right to demand of the full partnership either to pay the value of the part of the property of the partnership proportional to the debtor's share in the contributed capital or to separate such part of the property of the partnership with the purpose of levying execution on this property. The part of the property of the partnership or its value subject to separation shall be determined according to a balance sheet compiled at the time of presentation by creditors of demands for separation.

The levying of execution on property corresponding to the whole share of a participant in the contributed capital of a full partnership shall terminate his participation in the partnership and shall entail the consequences provided by Paragraph 3 of Article 78 of the present Code.

#### **Article 81. Exit of a Participant from a Full Partnership**

1. A participant in a full partnership has the right to exit from it, by stating his refusal to participate in the partnership.

A refusal to participate in a full partnership founded without a specification of a term must be stated by the participant not less than six months before actual exit from the partnership. An early refusal to participate in a full partnership founded for a definite term shall be allowed only for a compelling reason.

2. An agreement among participants in the partnership to refuse the right to exit from the partnership is void.

#### **Article 82. Exclusion of a Participant from a Full Partnership**

1. In cases of the declaration of one of the participants as missing, without dispositive capacity or with limited dispositive capacity, such participant may be excluded from the partnership by the unanimous decision of the remaining participants. By the same procedure a

legal person being a participant may be excluded from the partnership if reorganization procedures have been commenced by decision of a court in respect to such legal person.

2. The participants in a full partnership have the right to demand by judicial procedure the exclusion of any of the participants from the partnership by unanimous decision of the remaining participants and in case of the existence of compelling reasons therefore, in particular as the result of gross violation by this participant of his obligations or of his revealed inability for sensible management of affairs.

3. The exclusion of a participant from the partnership terminates his participation in the partnership and entails consequences set forth in Paragraph 3 of Article 78 of the present Code.

### **Article 83. Consequences of Exit of a Participant from a Full Partnership**

1. A participant who has exited from a full partnership shall be paid the value of the part of the property of the partnership corresponding to the share of this participant in the contributed capital, unless otherwise provided by the founding contract. By agreement of the exiting participant with the remaining participants, payment of the value of the property may be replaced by turning over property in kind.

The part of the property due the exiting participant or its value shall be determined according to the balance sheet compiled, with the exception of the situation provided in Article 80 of the present Code, at the time of his exit.

3. The exclusion of a participant from the partnership terminates his participation in the partnership and entails consequences set forth in Paragraph 3 of Article 78 of the present Code.

### **Article 84. Succession in a Full Partnership**

1. In case of the death of a participant in a full partnership, his heir may enter the full partnership only with the consent of the other participants.

2. A legal person that is the legal successor of a reorganized legal person that participated in a full partnership shall have the right to enter the partnership regardless of the consent of its other participants unless otherwise provided by the founding contract of the partnership.

3. The heir (or legal successor) of the participant who has not entered the partnership shall bear liability for the obligations of the partnership to third persons for which in accordance with Paragraph 3 of Article 78 of the present Code a participant who exited would have been liable, within the limits of the property of the exited member of the partnership that passed to him.

### **Article 85. Liquidation of a Full Partnership**

1. A full partnership shall be liquidated on the bases indicated in Article 62 of the present Code and also in the situation when a single participant remains in the partnership. Such a participant shall have the right for six months from the time when he became the sole participant in the partnership to transform such a partnership into a business company by the procedure established by the present Code.

In case of exit from the partnership or death of one of the participants in the full partnership, exclusion of one of them from the partnership, liquidation of a legal person being a participant in the partnership or levying of execution on the whole part of property of a participant proportional

to his share in the contributed capital, the partnership may continue its activity if this is provided by the founding contract of the partnership or an agreement between the remaining participants.

#### **Article 86. Settlements in Case of the Exit of Participants from a Full Partnership**

1. A participant who has exited or been excluded from a full partnership shall be paid the value of the part of the property of the partnership corresponding to the share of this participant in the contributed capital, unless otherwise provided by the founding contract. By agreement of the exiting participant with the remaining participants, payment of the value of the property may be replaced by turning over property in kind.

Settlements shall be made by a corresponding liquidation commission in case of the liquidation of a legal person being a participant in the partnership.

The part of the property due the exiting participant or its value shall be determined according to the balance sheet compiled at the time of his exit with the exception of the situation provided in Article 80 of the present Code.

2. Settlement with an heir of a participant in the full partnership who has not entered the partnership or with a successor of a legal person that has been a participant in the full partnership shall be made in accordance with Paragraph 1 of the present Article.

3. If one of the participants has exited from the partnership, the shares of the remaining participants in the contributed capital of the partnership shall be correspondingly increased unless otherwise provided by the founding contract or by other agreement of the participants.

### **# 3.Limited Partnership**

#### **Article 87. Basic Provisions on Limited Partnership**

1. A limited partnership (special partnership) is a partnership in which, along with participants conducting entrepreneurial activity in the name of the partnership and answering for the obligations of the partnership with their property (general partners), there are one or more investor-participants (limited partners), who bear the risk of losses connected with the activity of the partnership within the limits of the amounts of investments contributed by them and do not take part in the conduct by the partnership of entrepreneurial activity.

2. The position of general partners participating in a limited partnership and their liability for the obligations of the partnership shall be determined by the rules of the present Code on participants in a full partnership.

3. A person may be a general partner only in one limited partnership.

A participant in a full partnership may not be a general partner in a limited partnership.

A general partner in a limited partnership may not be a participant in a full partnership.

4. The firm name of a limited partnership must contain either the names (or designations) of all the general partners and the words “limited partnership” or “special partnership,” or the name (or designation) of not less than one general partner with the addition of the words “and company” and the words “limited partnership” or “special partnership.”

If the name of an investor is included in the firm name of a limited partnership, this investor shall become a general partner.

5. The rules of the present Code on a full partnership shall be applied to a limited partnership to the extent that this does not contradict the rules of the present Code on the limited partnership.

### **Article 88. The Founding Contract of a Limited Partnership**

1. A limited partnership shall be created and shall act on the basis of a founding contract. The founding contract must be signed by all general partners.

2. The founding contract of a limited partnership must contain, in addition to the information indicated in Paragraph 2 of Article 53 of the present Code, terms on the size and composition of the contributed capital of the partnership; on the size and procedure for change of the shares of each of the general partners in the contributed capital; on the size of, composition of, periods for, and procedure for their contributing their investments; on their liability for the violation of obligations for the contribution of investments; and on the total size of investments contributed by the investors.

### **Article 89. Management of a Limited Partnership and Conduct of Its Affairs**

1. Management of the activity of a limited partnership shall be conducted by the general partners. The procedure for managing and conducting the affairs of such a partnership by its general partners is established by them in accordance with the rules of the present Code on a full partnership.

2. Investors do not have the right to participate in the management and conduct of affairs of a limited partnership nor to act in its name otherwise than by a power of attorney. They do not have the right to contest the actions of general partners in the management and conduct of the affairs of the partnership.

### **Article 90. Rights and Duties of an Investor in a Limited Partnership**

1. An investor in a limited partnership has the obligation to contribute its investment in the contributed capital. The contribution of the investment shall be certified by a certificate of participation issued to the investor by the partnership.

2. An investor in a limited partnership has the right:

- 1) to receive the part of profit of the partnership due for its share in the contributed capital by the procedure provided by the founding contract;
- 2) to be acquainted with the annual report and balance sheets of the partnership;
- 3) at the end of the fiscal year to leave the partnership and receive its investment by the procedure provided by the founding contract;
- 4) to transfer its share in the contributed capital or part of it to another investor or a third person. The investors shall enjoy a priority right before third persons for the purchase of a share (or parts of it) by analogy with the conditions and procedure provided by Paragraph 2 of Article 100 of the present Code. The transfer by an investor of the whole share to another person shall end his participation in the partnership.

The founding contract of a limited partnership may also provide for other rights of an investor.

### **Article 91. Liquidation of a Limited Partnership**

1. A limited partnership shall be liquidated upon the exit of all investors participating in it. However, the general partners shall have the right instead of liquidation to turn the limited partnership into a full partnership.

A limited partnership shall also be liquidated on the bases for liquidation of a full partnership (Article 85). However, a limited partnership shall be maintained if at least one general partner and one investor remains in it.

2. Upon liquidation of a limited partnership, including in case of bankruptcy, the investors shall have a priority right ahead of the general partners to receipt of their investments from the property of the partnership remaining after satisfaction of the claims of its creditors.

The property of the partnership remaining after this shall be distributed among the general partners and the investors in proportion to their shares in the contributed capital of the partnership unless another procedure is established by the founding contract or by agreement of the general partners and the investors.

#### **# 4. Joint-Stock Partnership in Commendam**

##### **Article 92. Concept of a Joint-Stock Partnership in Commendam**

A joint-stock partnership in commendam is a partnership in which, along with one or several participants conducting entrepreneurial activity in the name of the partnership and answering for the obligations of the partnership with all their property (general partners), there are participants (limited stockholders) who participate in the formation of a part of the contributed capital allocated into shares of stock and bear the risk of losses connected with the activity of the partnership within the limits of the value of shares of stock belonging to them.

##### **Article 93. Rights and Obligations of Participants in a Joint-Stock Partnership in Commendam**

1. The position of general partners participating in a joint-stock partnership in commendam and their liability for the obligations of the partnership shall be determined by rules of the present Code on participants in a full partnership.

2. Limited stockholders shall not participate in the conduct of entrepreneurial activity by the partnership. The rest of the rights and obligations of limited stockholders shall be determined by the rules of the present Code on participants in a closed joint-stock company to the extent that these rules do not contradict to the nature of a joint-stock partnership in commendam.

#### **# 5. Limited Liability Company**

##### **Article 94. Basic Provisions on the Limited Liability Company**

1. A limited liability company is a company founded by one or several persons, the charter capital of which is divided into shares of amounts determined by the founding documents; the participants in a limited liability company are not liable for its obligations; they bear the risk of losses connected with the activity of the company within the limits of the value of the investments contributed by them.

Participants in the company who have not fully contributed their investments bear joint and several liability for its obligations within the limits of the value of the unpaid part of the investment of each of the participants.

2. The firm name of a limited liability company must contain the name of the company and the words "with limited liability."

3. The legal position of a limited liability company and the rights and duties of its participants shall be determined by the present Code and the statute on limited liability companies.

#### **Article 95. Participants in a Limited Liability Company**

1. The number of participants in a limited liability company must not exceed thirty. Otherwise the company will be subject to transformation into a joint-stock company within a year and, upon expiration of this period, to liquidation by judicial procedure if the number of its participants is not reduced to the level established by the statute.

2. A limited liability company may not have as a sole participant another business company consisting of one person.

#### **Article 96. Founding Documents of a Limited Liability Company**

1. The founding documents of a limited liability company are a founding contract, signed by its founders and a charter approved by them. If the company is founded by one person, its founding document is a charter.

2. The founding documents of a limited liability company must contain, in addition to the matters listed in Paragraph 2 of Article 53 of the present Code, conditions on the size, composition, periods, and procedure for their contributing investments; on the size of the charter capital of the company; on the liability of participants for violation of the obligation to contribute investments; on the size of the charter capital of the company; on the composition and competence of the agencies of administration of the company and the procedure for their making decisions, including on questions decisions on which are taken unanimously or by a qualified majority of votes; and also on other matters provided by the statute on limited liability companies.

#### **Article 97. The Charter Capital of a Limited Liability Company**

1. The charter capital of a limited liability company consists of the value of the investments of its participants.

The charter capital determines the minimum amount of the property of the company guarantying the interests of its creditors. The amount of charter capital cannot be less than the amount determined by the statute on limited liability companies.

2. It is not permitted to free a participant in a limited liability company from liability for the obligation to contribute an investment to the charter capital of the company. This prohibition includes setoff of claims against the company.

3. Not less than half of the charter capital of a limited liability company must be paid by its participants by the time of registration. The part of the company's charter capital remaining unpaid is subject to payment by its participants during the first year of activity of the company. In case of violation of this obligation the company must either declare a reduction of its charter capital and register this reduction by the established procedure, or cease its activity by way of liquidation.

4. If at the end of the second or each following financial year the value of the net assets of a limited liability company is less than the charter capital, the company is obligated to report the reduction of its charter capital and to register its reduction by the established procedure. If the

value of these assets of the company is less than the minimum amount of charter capital set by a statute, the company is subject to liquidation.

5. A reduction of the charter capital of a limited liability company is allowed only after notification of all of its creditors. The latter have the right in this case to demand early termination or fulfillment of the respective obligations and compensation for damages.

6. An increase of charter capital of a company is allowed after contribution by all its participants of their investments in full amount.

7. By the decision of the general meeting of participants in the limited liability company taken by the majority of votes equal to two-thirds of votes of all participants in the company, the company may establish an obligation for its participants to contribute additional investments in proportion to their shares in the charter capital of the company.

### **Article 98. Management of a Limited Liability Company**

1. The highest body of a limited liability company is the general meeting of its participants.

In a limited liability company an executive body (collegial or one-individual) shall be created that conducts the current management of its activity and reports to the general meeting of its participants. A one-individual body of administration may also be elected from among non-participants.

2. The competence of the bodies of management of the company and also the procedure for their making decisions and acting in the name of the company shall be determined in accordance with the present Code by the statute on limited liability companies and the charter of the company.

3. The following are in the exclusive competence of the general meeting of participants in a limited liability company:

- 1) changing the charter of the company, changing the size of its charter capital;
- 2) forming executive bodies of the company and terminating their powers early;
- 3) approving annual reports and accounting balances of the company and distributing its profits and losses;
- 4) deciding on the reorganization or liquidation of the company;
- 5) electing the auditing commission (or the auditor) of the company.

The statute on limited liability companies may also assign the decision of other questions to the exclusive competence of the general meeting.

Questions assigned to the exclusive competence of the general meeting of participants in the company may not be transferred by them for decision by the executive body of the company.

4. For review and approval of the correctness of the annual financial report of a limited liability company, it has the right to invite each year a professional auditor not connected by property interests with the company or its founders (an outside audit). Audit verification of the annual financial report of the company may also be conducted on demand of any of its participants.

The procedure for conducting audit reviews of the activity of the company shall be determined by a statute and the charter of the company.

5. Publication by the company of information on the results of conducting its affairs (or a public report) is not required with the exception of cases provided by the statute on limited liability companies.

## **Article 99. Reorganization and Liquidation of a Limited Liability Company**

1. A limited liability company may be reorganized or liquidated voluntarily by unanimous decision of its participants.

Other bases for reorganization and liquidation of the company and also the procedure for its reorganization and liquidation are determined by the present Code and other statutes.

2. A limited liability company has the right to transform itself into a joint-stock company or a production cooperative.

## **Article 100. Transfer of a Share in the Charter Capital of a Limited Liability Company to Another Person**

1. A participant in a limited liability company has the right to sell or otherwise alienate its share in the charter capital of the company or part of it to one or several participants in the given company.

2. Alienation by a participant in the company of its share (or part of it) to third persons is allowed unless otherwise provided by the charter of the company.

The participants in the company enjoy a priority right of purchase of the share of a participant (or part of it) in proportion to the amounts of their shares, unless the charter of the company or an agreement of its participants has provided another procedure for exercising this right. In case the participants in the company do not use their priority right within one month from the day of notice or within another period provided by the charter of the company or agreement of its participants, the share of the participant may be alienated to a third person.

3. If, in accordance with the charter of a limited liability company, alienation of the share of a participant (or part of it) to third persons is impossible and the other participants in the company refuse to buy it, then the company is obligated to pay the participant its actual value or to give it property in kind corresponding to this actual value.

4. The share of a participant in a limited liability company may be alienated before full payment for it only with respect to the part already paid.

5. In case a participant's share (or part of it) has been obtained by the limited liability company itself, the company is obligated to sell it to the other participants or third persons within the periods and by the procedure that are provided by the statute on limited liability companies and the founding documents of the company or to reduce its charter capital in accordance with Paragraphs 4 and 5 of Article 97 of the present Code.

6. Shares in the charter capital of a limited liability company pass to the heirs of citizens and to the legal successors of legal persons that are participants in the company, unless the charter documents of the company provide that such transfer is allowed only with the consent of the remaining members of the company. A refusal of consent to the transfer of the share shall entail the obligation of the company to pay the heirs (or legal successors) of the participants its actual value or to give them property in kind of such value by the procedure and on the conditions provided by the statute on limited liability companies and the founding documents of the company.

## **Article 101. Exit of a Participant in a Limited Liability Company from the Company**

A participant in a limited liability company has the right at any time to exit from the company regardless of the consent of its other participants.

## **Article 102. Levy of Execution on a Participant's Share in the Property of a Limited Liability Company**

1. Levy of execution on a participant's share in the property of a limited liability company for individual debts of the participant shall be allowed only in case of insufficiency of his other property to cover the debts. Creditors of such a participant have the right to demand of the limited liability company either to pay the value of the part of the property of the partnership proportional to the debtor's share in the contributed capital or to separate such part of the property of the partnership with the purpose of levying execution on this property. The part of the property of the company or its value subject to separation shall be determined according to a balance sheet compiled at the time of presentation by creditors of demands for separation.

2. The levying of execution on to the whole share of the participant in the property of a limited liability company shall terminate his participation in the company.

### **Article 103. Exclusion of a Participant from a Limited Liability Company**

A participant in a limited liability company may be excluded from the company by the decision of the general meeting of participants taken by the majority of votes equal to two-thirds of votes of all participants in the company if he has committed a gross violation of the charter of the company and as a result caused damages to the company's interests.

A decision of the general meeting on the exclusion of a participant from the company may be appealed to a court.

### **Article 104. Settlements in Case of the Exit of Participants from a Full Partnership**

1. A participant who has exited or been excluded from a limited liability company shall be paid the value of the part of property of the company corresponding to the share of this participant in the contributed capital, unless otherwise provided by the founding contract.

By agreement of the exiting participant with the company, payment of the value of the property may be replaced by turning over property in kind.

The part of the property due the exiting participant or its value shall be determined according to the balance sheet compiled at the time of his exit with the exception of the situation provided in Article 102 of the present Code.

2. If the right to use the property has been contributed as an investment to the contributed capital of a limited liability company, the corresponding right shall be return to the participant exiting from the partnership and in such case the value of the depreciation of property shall not be paid.

3. Settlement with an heir of a participant in the company who has not entered the company or with a successor of a legal person that has been a participant in the company shall be made in accordance with Paragraph 1 of the present Article.

## **# 6. Company With Supplementary Liability**

### **Article 105. Basic Provisions on Companies With Supplementary Liability**

1. A company with supplementary liability is a company founded by one or several persons whose charter capital is divided into shares of sizes determined by the founding documents; the participants in such a company jointly and severally bear subsidiary liability for its obligations

with their property in a multiple of the value of their contributions, which multiple is identical for all of them and is determined by the founding documents of the company. In case of bankruptcy of one of the participants, its liability for the obligations of the company shall be distributed among the remaining participants in proportion to their investments, unless another procedure for distributing liability is provided by the founding documents of the company.

2. The firm name of a company with supplementary liability must contain the name of the company and the words “with supplementary liability.”

3. The rules of a the present Code on the limited liability company shall be applied to a company with supplementary liability, to the extent that the present Article does not provide otherwise.

## **# 7. Joint-Stock Company**

### **Article 106. Basic Provisions on Joint-Stock Companies**

1. A joint-stock company is a company whose charter capital is divided into defined number of shares of stock; the participants in a joint-stock company (the stockholders) are not liable for its obligations and bear the risk of losses connected with the activity of the company within the limits of the value of the shares of stock belonging to them.

Stockholders who have not fully paid for their shares of stock shall bear joint and several liability for the obligations of the joint-stock company within the limits of the unpaid part of the price of the shares of stock belonging to them.

2. The firm name of a joint-stock company must contain its name and an indication of the fact that the company is a joint-stock company.

3. The legal position of a joint-stock company and the rights and duties of the stockholders shall be determined in accordance with the present Code and the statute on joint-stock companies.

The peculiarities of joint-stock companies created by the privatization of state and municipal enterprises are determined also by the legislation on the privatization of these enterprises.

### **Article 107. Open Joint-Stock Companies**

1. A joint-stock company whose participants can alienate the shares of stock belonging to them without the consent of the other stockholders is an open joint-stock company. Such a joint-stock company has the right to conduct open subscription to shares of stock issued by it and to their free sale on the conditions established by a statute and other legal acts.

2. An open joint-stock company must each year publish for general information an annual report, a balance sheet, and a statement of profits and losses.

### **Article 108. Closed Joint-Stock Companies**

1. A joint-stock company whose shares of stock are distributed only among its founders or other previously determined group of persons is a closed joint-stock company. Such a company does not have the right to conduct an open subscription to shares of stock issued by it nor otherwise to propose them for acquisition to an unlimited group of persons.

Stockholders of a closed joint-stock company have the preferential right to purchase shares of stock sold by other stockholders of this company.

2. The number of participants in a closed joint-stock company must not exceed the number established by the statute on joint-stock companies; otherwise the company will be subject to transformation into an open joint-stock company within a year, and on the expiration of this period, to liquidation by judicial procedure, if the number of stockholders is not reduced to the limit established by the statute.

3. In cases provided by the statute on joint-stock companies, a closed joint-stock company may be obligated to publish for general information the documents indicated in Paragraph 2 of the Article 107 of the present Code.

### **Article 109. Formation of a Joint-Stock Company**

1. The founders of a joint-stock company must conclude a contract among themselves determining the procedure for their exercise of joint activity for the creation of the company, the size of the charter capital of the company, categories of shares of stock to be issued and the procedure for their distribution and also other conditions provided by the statute on joint-stock companies.

A contract for the creation of a joint-stock company must be concluded in written form.

2. The founders of a joint-stock company bear joint and several liability for obligations arising before registration of the company.

The company bears liability for obligations of the founders connected with its creation only in case of the subsequent approval of their actions by a general meeting of the stockholders.

3. The founding document of a joint-stock company is its charter approved by the founders.

The charter of a joint-stock company, in addition to the matters indicated in Part 2 of Article 52 of the present Code, must contain conditions on the categories of shares of stock issued by the company, their par value and number; on the size of the charter capital of the company; on the rights of stockholders; on the composition and competence of the agencies of management of the company and on the procedure for their making decisions, including on questions, decisions on which are taken unanimously or by a qualified majority of votes. The charter of a joint-stock company also must contain other matters provided by the statute on joint-stock companies.

4. The procedure for conducting other actions in the creation of a joint-stock company, including the competence of the founding meeting, is determined by the statute on joint-stock companies.

5. The peculiarities of the creation of joint-stock companies in case of privatization of state and municipal enterprises are determined by the statutes and other legal acts on the privatization of these enterprises.

6. A joint-stock company may be created by one person or may consist of one person in case one stockholder obtains all the shares of stock of a company. Information on this must be contained in the charter of the company, be registered, and be published for general information.

A joint-stock company may not have as a sole participant another business company consisting of one person.

### **Article 110. Charter Capital of a Joint-Stock Company**

1. The charter capital of a joint-stock company consists of the par value of shares of stock obtained by the stockholders.

The charter capital of the company determines the minimal size of the property of the company guarantying the interests of its creditors. It may not be less than the size provided by the statute on joint-stock companies.

2. It is not permitted to free a stockholder from the obligation to pay for shares of stock of a company. This prohibition includes setoff of claims against the company.

3. Open subscription to the shares of stock of a joint-stock company is not allowed until full payment of the charter capital. Upon the founding of a joint-stock company all its shares of stock must be distributed among the founders.

4. If at the end of the second or any subsequent fiscal year, the value of the net assets of the company is less than the charter capital, the company is obligated to declare and register by the established procedure a reduction of its charter capital. If the value of these assets becomes less than the minimum amount of charter capital determined by a statute (Paragraph 1 of the present Article), the company is subject to liquidation.

5. A statute or the charter of the company may establish limitations on the number of shares of stock, the total par value of shares of stock, or the maximum number of votes that one stockholder can have.

#### **Article 111. Increase in the Charter Capital of a Joint-Stock Company**

1. A joint-stock company has the right, by decision of the general meeting of stockholders, to increase the charter capital by increasing the par value of shares of stock or by issuing additional shares of stock.

2. An increase of the charter capital of a joint-stock company is permitted only after its full payment. An increase of the charter capital of a company to cover losses suffered by the company is not allowed.

3. In cases provided by the statute on joint-stock companies, the charter of a company may establish a preferential right of stockholders possessing simple (or common) or other voting shares of stock to purchase additional shares of stock issued by the company.

#### **Article 112. Reduction of the Charter Capital of a Joint-Stock Company**

1. A joint-stock company has the right, by decision of the general meeting of stockholders, to reduce the charter capital by reducing the par value of shares of stock or by purchasing part of the shares of stock for the purposes of reducing their general number.

The reduction of the charter capital of a company is allowed after notification to all of its creditors by the procedure determined by the statute on joint-stock companies. In such a case the creditors of the company have the right to demand early termination or fulfillment of the respective obligations and compensation for their damages.

2. A reduction of the charter capital of a joint-stock company by purchase and cancellation of part of the shares of stock is allowed if such a possibility is provided in the charter of the company.

3. A reduction of the charter capital by the company to the amount less than the minimal amount provided by a statute (par. Article 110) shall entail the liquidation of the company.

#### **Article 113. Limitations on the Issuance of Securities and Payment of Dividends of a Joint-Stock Company**

1. The proportion of preferred shares of stock in the overall volume of charter capital of the joint-stock company must not exceed twenty-five percent.

2. A joint-stock company has the right to issue bonds for an amount not exceeding the amount of the charter capital or the size of the security provided to the company for these purposes by third persons after full payment of the charter capital. In the absence of security, the issuance of bonds is allowed no earlier than the third year of existence of the joint-stock

company and upon the condition of the proper approval by that time of two annual balance sheets of the enterprise.

3. A joint-stock company does not have the right to declare and pay dividends:  
before the full payment of all the charter capital;  
if the value of the net assets of the joint-stock company is less than its charter capital and reserve fund or would become less than their size as the result of payment of dividends.

#### **Article 114. Management in a Joint-Stock Company**

1. The body of management of a joint-stock company is the general meeting of its stockholders.

The following are in the exclusive competence of the general meeting of stockholders:

- a) a change in the charter of the company, including a change in the amount of its charter capital;
- b) election of members of the board of directors (or of the supervisory board) and the auditing commission (or the auditor) of the company and the early termination of their powers;
- c) formation of the executive bodies of the company and the early termination of their powers, unless the charter of the company has assigned the decision of these questions to the competence of the board of directors (or supervisory board);
- d) approval of the annual reports, accounting balance sheets, statements of profits and losses of the company and distribution of its profits and losses;
- e) a decision on the reorganization or liquidation of the company.

The statute on joint-stock companies may also assign the decision of other questions to the exclusive competence of the general meeting of stockholders.

Questions assigned by a statute to the exclusive competence of the general meeting of stockholders may not be transferred by them to the decision of the executive bodies of the company.

2. In a company with over fifty stockholders a board of directors (or supervisory board) shall be created.

In case of the creation of a board of directors (or supervisory board), the charter of the company, in accordance with the statute on joint-stock companies, must determine its exclusive competence. Questions assigned by the charter to the exclusive competence of the board of directors (or the supervisory board), may not be transferred by them to the decision of executive bodies of the company.

3. An executive body of the company may be collegial (a board or directorate) or one-individual (director or general director). It shall conduct the current leadership of the activity of the company and report to the board of directors (or supervisory board) and the general meeting of stockholders.

The competence of the executive body includes the decision of all matters not constituting the exclusive competence determined by a statute or the charter of the company of the other bodies of administration of the company.

By decision of the general meeting of stockholders, the powers of the executive body of the company may be given by contract to another commercial organization or an individual entrepreneur (or manager).

4. The competence of the bodies of administration of a joint-stock company and also the procedure for their adopting decisions and acting in the name of the company shall be determined in accordance with the present Code by the statute on joint-stock companies and the charter of the company.

5. A joint-stock company that is obligated in accordance with the present Code or the statute on joint-stock companies to publish for general information the documents indicated in Part 2 of Article 107 of the present Code must, for verification and confirmation of the correctness of the

annual financial report, each year involve a professional auditor not connected by property interests with the company or its participants.

An audit review of the activity of a joint-stock company, including that of one not obligated to publish the aforementioned documents for general information, must be conducted at any time upon the demand of stockholders whose total share in the charter capital constitutes ten or more percent.

The procedure for conducting audit reviews of the activity of a joint-stock company is determined by a statute and the charter of the company.

#### **Article 115. Reorganization and Liquidation of a Joint-Stock Company**

1. A joint-stock company may be reorganized or liquidated voluntarily upon a decision of the general meeting of stockholders.

Other bases and the procedure for reorganization and liquidation of a joint-stock company shall be determined by the present Code and other statutes.

2. A joint-stock company has the right to transform itself into a limited liability company or a production cooperative.

### **# 8. Subsidiary and Dependent Companies**

#### **Article 116. Subsidiary Business Company**

1. A business company is a subsidiary business company if another (or principal) business company or partnership by virtue of dominant participation in its charter capital or in accordance with a contract concluded between them or in another manner has the possibility of determining decisions taken by such a company.

2. A subsidiary company does not answer for the debts of the principal company (or partnership).

A principal company (or partnership) that has the right to give the subsidiary company instructions obligatory for it (including by contract with it), answers jointly with the subsidiary company for transactions concluded by the latter in the fulfillment of such instructions.

In case of insolvency (or bankruptcy) of the subsidiary company due to the fault of the principal company (or partnership), the latter shall bear subsidiary liability for the debts of the subsidiary company.

3. Participants in (or stockholders of) the subsidiary company have the right to demand compensation from the principal company (or partnership) for the damages caused by its fault to the subsidiary company, unless otherwise established by statutes on business companies.

#### **Article 117. Dependent Business Company**

1. A business company is dependent if another (the dominant or participant) company has more than twenty percent of the voting shares of stock of a joint-stock company or more than twenty percent of the charter capital of a limited liability company.

2. A business company that has obtained more than twenty percent of the voting shares of stock of a joint-stock company or more than twenty percent of the charter capital of a limited liability company is obligated to immediately publish information on this by the procedure provided by the statutes on business companies.

3. The limits of mutual participation of business companies in the charter capital of one another and the number of votes that one of these companies may exercise at the general meeting of the participants or stockholders of another company shall be determined by a statute.

### **# 3. PRODUCTION COOPERATIVES**

#### **Article 118. Definition of a Production Cooperative**

1. A production cooperative (or artel) is a voluntary combination of citizens on the basis of membership for joint production or other business activity (production; processing; sale of industrial, agricultural, and other products; performing work; trade; personal services; rendering other services) based on their personal labor and other participation and combining the property share contributions of its members (or participants). A statute and the founding documents of a production cooperative may provide for participation by legal persons in its activity. A production cooperative is a commercial organization.

2. Members of a production cooperative bear subsidiary liability for the obligations of the cooperative in the amounts and by the procedure provided by the statute on production cooperatives and the charter of the cooperative.

3. The firm name of a cooperative must contain its name and the words “production cooperative” or “artel.”

4. The legal position of production cooperatives and the rights and duties of their members shall be determined in accordance with the present Code by the statutes on production cooperatives.

#### **Article 119. Formation of Production Cooperatives**

1. The founding document of a production cooperative is its charter, approved by the general meeting of its members.

2. The charter of the cooperative must contain, in addition to the information indicated in Part 2 of Article 53 of the Present Code, terms on the size of share contributions of the members of the cooperative; on the composition of and procedure for providing share contributions by the members of the cooperative and their liability for violating the obligation to make share contributions; on the nature and procedure for labor participation of its members in the activity of the cooperative and their liability for violating obligations for personal labor participation; on the procedure for distribution of the profit and losses of the cooperative; on the size and conditions of subsidiary liability of its members for the debts of the cooperative; on the composition and competence of agencies of administration of the cooperative and the procedure for their taking decisions, including on questions decisions on which are taken unanimously or by a qualified majority of votes.

3. The number of members of the cooperative may not be less than five.

#### **Article 120. Property of the Production Cooperative**

1. Property that is owned by the production cooperative is divided into shares of its members in accordance with the charter of the cooperative.

The charter of the cooperative may provide that a determined part of the property belonging to the cooperative constitutes an indivisible fund to be used for purposes defined by the charter.

A decision on the formation of indivisible funds must be taken unanimously by the members of the cooperative unless otherwise provided by the charter of the cooperative.

2. A member of the cooperative is obligated to contribute, by the time of registration of the cooperative not less than ten percent of the share contribution, and the remainder within a year from the time of registration.

3. A cooperative does not have the right to issue shares of stock.

4. The profit of a cooperative shall be distributed among its members in accordance with their labor participation, unless another procedure is provided by a statute or the charter of the cooperative.

The same procedure shall be used for the distribution of property left after the liquidation of the cooperative and the satisfaction of the claims of its creditors.

### **Article 121. Management in the Production Cooperative**

1. The highest body of management of a cooperative is the general meeting of its members.

In a cooperative with more than fifty members, a supervisory board may be formed, which shall exercise supervision of the activity of the executive bodies of the cooperative.

The executive bodies of the cooperative are the board and/or its chairman. They shall conduct the current administration of the activity of the cooperative and report to the supervisory board and the general meeting of members of the cooperative.

Only members of the cooperative may be members of the supervision board, of the administration of the cooperative, or chairman of the cooperative. A member of the cooperative may not simultaneously be a member of the supervisory board and a member of the administration or chairman of the cooperative.

2. The competence of the bodies of administration of the cooperative and the procedure for their adopting decisions is determined by a statute and the charter of the cooperative.

3. The following are in the exclusive competence of the general meeting of members of the cooperative:

- 1) changing the charter of the cooperative;
- 2) forming a supervisory board and terminating the powers of its members and also forming executive bodies of the cooperative and terminating their powers, unless this right has been transferred by the charter to supervisory board;
- 3) accepting and excluding members of the cooperative;
- 4) approving annual reports and accounting balance sheets of the cooperative and distributing its profits and losses;
- 5) deciding on the reorganization and liquidation of the cooperative.

The statute on production cooperatives and the charter of the cooperative also may assign the decision of other questions to the exclusive competence of the general meeting.

Questions assigned to the exclusive competence of the general meeting or the supervisory council of the cooperative may not be transferred by them for decision by the executive bodies of the cooperative.

4. A member of the cooperative has one vote in the adoption of a decision by the general meeting.

## **Article 122. Termination of Membership in a Production Cooperative and Transfer of a Share**

1. A member of a cooperative has the right to leave the cooperative at his discretion. In this case he must be paid the value of his share or given property corresponding to his share and also other payments must be made that are provided by the charter of the cooperative.

Payment of the value of a share or giving of other property to an exiting member of the cooperative shall be made at the end of the fiscal year and upon the approval of the accounting balance of the cooperative.

2. A member of the cooperative may be excluded from the cooperative by decision of the general meeting in case of nonfulfillment or improper fulfillment of the obligations placed upon it by the charter of the cooperative, and also in other cases provided by a statute or the charter of the cooperative.

A member of the production cooperative may be excluded from a cooperative by decision of the general meeting in connection with his membership in an analogous cooperative.

A member of a cooperative who is excluded from it has the right to receive his share and the other payments provided by the charter of the cooperative in accordance with Paragraph 1 of the present Article.

3. A member of a cooperative has the right to transfer his share or part of it to another member of the cooperative, unless otherwise provided by a statute and by the charter of the cooperative.

The transfer of a share (or part of it) to a citizen who is not a member of the cooperative is allowed only with the consent of the cooperative. In this case other members of the cooperative enjoy a priority right of purchase of such a share (or part of it). If the members of the cooperative do not exercise their priority right within one month from the date of notification or within another period provided by the charter of the cooperative or agreement of its members, a share may be alienated in favor of any third person.

4. In case of the death of a member of the production cooperative, his heirs may be accepted as members of the cooperative unless otherwise provided by the charter of the cooperative. In the contrary case the cooperative shall pay the heirs the value of the share of the deceased member of the cooperative.

5. The levy of execution on a share of a member of a production cooperative for the personal debts of the member of the cooperative is allowed only in case of insufficiency of his other property to cover such debts by the procedure provided by a statute and the charter of the cooperative. Execution for the debts of a member of a cooperative may not be levied on the indivisible funds of the cooperative.

6. If a share in the production cooperative is pledged and the pledgeholder levy execution on this share, the rules of the second paragraph of Paragraph 3 of the present Article shall be applied correspondingly.

## **Article 123. Reorganization and Liquidation of Production Cooperatives**

1. A production cooperative may be voluntarily reorganized or liquidated by decision of the general meeting of its members.

Other grounds for and the procedure for reorganization and liquidation of a cooperative shall be determined by the present Code and other statutes.

2. A production cooperative, by the unanimous decision of its members, may be transformed into a business partnership or company.

## **4. UNITARY ENTERPRISES**

## **Article 124. Basic Provisions on Unitary Enterprise**

1. A unitary enterprise is a commercial organization not given the right of ownership of the property attached to it by the owner. The property of a unitary enterprise is indivisible and cannot be distributed according to investments (nor parts nor shares), not even among the employees of the enterprise.

The charter of a unitary enterprise must contain, in addition to the information indicated in Paragraph 2 of Article 53 of the present Code, indications of the object and purposes of activity of the enterprise and also of the size of the charter fund of the enterprise, and the procedure and sources for forming the fund.

2. Only state enterprises can be created in the form of unitary enterprises.

3. The property of a state unitary enterprise is respectively under state ownership and belongs to such an enterprise by the right of economic management (Article 308).

4. The firm name of the unitary enterprise must contain an indication of the owner of its property.

5. The agent of the unitary enterprise is the manager, who is appointed by the owner or by an agency authorized by the owner and reports to them.

6. A unitary enterprise answers for its obligations with all the property belonging to it. A unitary enterprise does not bear liability for the obligations of the owner of its property.

7. The legal position of state unitary enterprises shall be determined by the present Code and the statute on state enterprises.

8. The owner of the property of a unitary enterprise shall not be liable for the obligations of the enterprise except for cases provided by Paragraph 3 of Article 57 of the present Code. This rule shall also be applied to the liability of a unitary enterprise that founded a subsidiary enterprise, for the obligations of the latter.

## **Article 125. Unitary Enterprise Based on the Right of Economic Management**

1. A unitary enterprise is created by the decision of a state agency empowered to do so.

2. The founding document of a unitary enterprise is its charter, approved by a state agency authorized to do so.

3. The size of the charter fund of a unitary enterprise may not be less than the amount determined by a statute.

4. Before the registration of a unitary enterprise, the charter fund of the enterprise must be fully paid by the owner.

5. If at the end of the financial year the value of the net assets of a unitary enterprise is less than the size of the charter fund, the agency authorized to create such enterprises must make, by the established procedure, a reduction of the charter fund. If the value of free assets becomes less than the amount determined by a statute (Paragraph 3 of the present Article), the enterprise may be liquidated by decision of a court.

6. In case of taking a decision on the reduction of the charter fund, the enterprise must notify its creditors of this in writing.

A creditor of an enterprise shall have the right to demand termination or early performance of obligations for which this enterprise is the debtor and to demand compensation for damages.

## **Article 126. Subsidiary Enterprise of a Unitary Enterprise**

1. A unitary enterprise may found another enterprise (subsidiary enterprise) in the form of a legal person by means of transfer of a part of its property to the economic management of the latter by the established procedure.

The founder approves the charter of a subsidiary enterprise and appoints its head.

2. The owner of the property of the enterprise based on the right of economic management shall not be liable for the obligations of the enterprise except for cases provided by Paragraph 3 of Article 57 of the present Code. This rule shall also be applied to the liability of an enterprise that founded a subsidiary enterprise, for the obligations of the latter.

### **Article 127. Treasury Enterprise**

1. A Treasury enterprise is an enterprise that possesses state-owned property by the right of operative administration.

2. A Treasury enterprise shall be created by the decision of the Government of the Republic of Tajikistan or a local executive agency.

3. The founding document of a Treasury enterprise is its charter approved by the founder.

4. The firm name of an enterprise based on the right of operative administration must contain an indication that the enterprise is a Treasury enterprise.

5. Business activities of a Treasury enterprise shall be defined by its purposes and objectives fixed in the charter.

6. The Republic of Tajikistan or its administrative and territorial unit shall bear subsidiary liability for the obligations of a Treasury enterprise.

## **5. NONCOMMERCIAL ORGANIZATIONS**

### **Article 128. Consumer Cooperative**

1. A consumer cooperative is a voluntary combination of citizens on the basis of membership with the purpose of satisfying the material (property) needs of the participants, a combination formed by the combining of property (share) contributions by its members.

2. The charter of a consumer cooperative must contain, in addition to the information indicated in Paragraph 2 of Article 53 of the present Code, terms on the size of share contributions of members of the cooperative; on the composition of and procedure for making share contributions by members of the cooperative and on their liability for violating obligations to make share contributions; on the composition and competence of bodies of administration of the cooperative and the procedure for their taking decisions, including on questions decisions for which are taken unanimously or by a qualified majority of votes; on the procedure for covering by members of cooperatives of losses incurred by it.

3. The name of a consumer cooperative must contain an indication of the basic purpose of its activity and also either the word “cooperative,” or the words “consumer union” or “consumer company.”

4. Members of a consumer cooperative are obligated to cover, by supplementary contributions, within three months after the approval of the annual balance, losses that have been

formed. In case of nonfulfillment of this obligation, the cooperative may be liquidated by judicial procedure on demand of creditors.

Members of a consumer cooperative jointly and severally bear subsidiary liability for its obligations within the limits of the unpaid part of the supplementary contribution of each of the members of the cooperative.

5. Income received by the consumer cooperative shall be distributed among its members.

6. The legal position of consumer cooperatives, and also the rights and duties of their members shall be determined in accordance with the present Code by the statutes on consumer cooperatives.

### **Article 129. Societal and Religious Organizations (or Amalgamations)**

1. Societal and religious organizations (or amalgamations) are voluntary combinations of citizens who have joined in the manner provided by a statute on the basis of communality of their interests to satisfy spiritual or other non-material needs.

Societal and religious organizations are non-commercial organizations. They have the right to conduct entrepreneurial activity only for the achievement of the purposes for which they were created and corresponding to those purposes.

2. Participants in (or members of) societal and religious organizations do not retain the right to property transferred by them to these organizations in ownership, nor to membership contributions. They are not liable for the obligations of societal and religious organizations in which they participate as members and these organizations are not liable for the obligations of their members.

3. The peculiarities of the legal position of societal and religious organizations as participants in relations regulated by the present Code shall be determined by a statute.

### **Article 130. Public Foundations**

1. A public foundation is a non-commercial organization not having membership, founded by citizens or legal persons on the basis of voluntary property contributions, pursuing social, charitable, cultural, educational, and other socially-useful purposes.

Property transferred to the foundation by its founders is the property of the foundation. The founders are not liable for the obligations of the foundation created by them and the foundation is not liable for the obligations of its founders.

2. A public foundation shall use property for the purposes defined in its charter. The foundation has the right to engage in entrepreneurial activity necessary for the attainment of the socially useful purposes for which the foundation was created and corresponding to these purposes. To conduct entrepreneurial activity, foundations have the right to found business companies or to participate in them.

A foundation is obligated to publish reports annually on the use of its property.

3. The procedure for managing a foundation and the procedure for forming its executive bodies are determined by its charter approved by the founders.

4. The charter of a foundation, in addition to the matters indicated in Paragraph 2 of Article 53 of the present Code, must contain: the name of the foundation, including the word "foundation," information on the purposes of the foundation; indication of the executive bodies

of the foundation, including the trusteeship board exercising supervision over the activity of the foundation, on the procedure for appointing official persons of the foundation and discharging them, on the seat of the foundation, on the fate of the property of the foundation in case of its liquidation.

### **Article 131. Amendment of the Charter and Liquidation of the Public Foundation**

1. The charter of the public foundation may be changed by the executive bodies of the foundation, if the charter provides the possibility of changing it by such a procedure.

If the preservation of the charter in unchanged form entails consequences that would have been impossible to foresee at the founding of the foundation, and the possibility of changing the charter is not provided in it, or the charter is not changed by the authorized persons, the right of making changes shall belong to a court upon request of executive bodies of the foundation or of the agency authorized to exercise supervision of its activity.

2. A decision on the liquidation of a foundation may be taken only by a court upon request of interested persons.

A foundation may be liquidated:

- 1) if the property of the foundation is insufficient for conducting its purposes and an expectation of receiving the necessary property is unrealistic;
- 2) if the purposes of the foundation may not be attained, and the necessary changes of purposes of the foundation may not be made;
- 3) in case of deviation of the foundation in its activities from the purposes provided in the charter;
- 4) in other cases provided by a statute.

3. In case of liquidation of the foundation, its property left after satisfying the claims of creditors is put to the purposes indicated in the charter of the foundation.

### **Article 132. Institutions**

1. An institution is an organization created by the owner for the conduct of administrative, cultural and societal, or other functions of a non-commercial character and financed by it in whole or in part.

The rights of an institution to property attached to it and purchased by it shall be determined in accordance with Article 313 and 314 of the present Code.

2. An institution is liable for its obligations with the monetary assets that are at its disposition. If they are insufficient, the owner of the respective property bears subsidiary liability for the obligations of the institution.

3. The peculiarities of the legal position of individual types of state and other institutions shall be determined by legislation.

### **Article 133. Combination of Legal Persons (Associations and Unions)**

1. Commercial organizations for the purpose of coordination of their entrepreneurial activity and also the representation and defense of common property interests may, by contract among themselves, create combinations in the form of associations (or unions) that are non-commercial organizations.

If by decision of the participants, the conduct of entrepreneurial activity is assigned to an association (or union), such association (or union) shall be transformed into a business company

or partnership by the procedure provided by the present Code or it may create a business company for the realization of the entrepreneurial activity or participate in such a company.

2. Societal and other non-commercial organizations, including institutions, may voluntarily join in associations (or unions) of these organizations.

An association (or union) of non-commercial organizations is a non-commercial organization.

3. An association is a legal person.

Members of an association (or union) retain their independence and the rights of a legal person.

4. An association is not liable for the obligations of its members. Members of an association bear subsidiary liability for its obligations in the amount and by the procedure provided by the founding documents of the association.

5. The firm name of an association must contain an indication of the basic object of activity of its members and must include the words “association” or “union.”

#### **Article 134. Founding Documents of Associations (or Unions)**

1. The founding documents of an association (or union) are a founding contract, signed by its members, and a charter approved by them.

2. The founding documents of an association must contain, in addition to the information indicated in Paragraph 2 of Article 53 of the present Code, terms on the composition and competence of the bodies of administration of the association and the procedure for their making decisions, including on questions decision on which must be adopted unanimously or by a qualified majority of votes by members of the association , and on the procedure for distribution of property remaining after the liquidation of an association.

#### **Article 135. Rights and Duties of Members of Associations (or Unions)**

1. Members of an association (or union) have the right to use its services free of charge unless otherwise provided by founding documents or follows from the nature of services.

2. A member of an association has the right at its discretion to exit from the association at the end of the financial year. In this case, it bears subsidiary liability for obligations of the association proportional to its contribution for two years from the time of exit.

A member of the association may be excluded from it by decision of the remaining participants in the cases and by the procedure established by the founding documents of the association. The rules applicable to exit from an association shall be applied with respect to the liability of an excluded member of the association and his property contribution.

3. With the consent of members of the association, a new participant can enter it. Entry into an association (or union) of a new member may be conditioned on its subsidiary liability for the obligations of the association (or union) that arose before its entry.