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THE LAW OF THE KYRGYZ REPUBLIC

On business partnerships and companies

SECTION 1
GENERAL PROVISIONS

Article 1. Main provisions on business partnerships and companies

1. Business partnerships and companies are commercial organizations with charter capital divided into parts (contributions) or shares of founders whose main aim is to make a profit. Property, created from founders' contributions or from their acquisition of shares, as well as property produced or purchased by a business partnership or company during its activities, belongs to it on the basis of ownership right.

2. Business partnerships and companies may be established as general partnerships, limited partnerships, limited liability companies, additional liability companies, and joint stock companies.

3. Banks, insurance companies, investment companies and funds, and other similar organizations, the activities of which are based on attracting capital and other property from people who are not founders of the partnership or company, are founded and act as a business partnership or company according to special legislative acts.

Article 2. Legislation on business partnerships and companies

1. Legislation on business partnerships and companies consists of the Constitution of the Kyrgyz Republic, the Civil Code of the Kyrgyz Republic, this Law, laws of the Kyrgyz Republic, and normative acts of the President and Governmental of the Kyrgyz Republic.

2. If the Kyrgyz Republic is a party of an international treaty which establishes rules other than those contained in this Law, the provisions of the international treaty shall govern.

3. The minimum amount of charter capital, specifics of its formation and use, the legal regime for property, and restrictions on business activities of banks, insurance companies, joint ventures, and other business partnerships and companies are regulated both by this Law and by special legislative acts.

Article 3. Founders of business partnerships and companies

1. The founders of general partnerships and general partners in limited partnerships may be individuals and/or legal entities.

2. A physical person may be the founder of only one general partnership or a general partner in one limited partnership.

3. A business partnership shall not have fewer than two founders.

4. The founders of a limited liability company, of an additional liability company, and of a joint stock company, and investors in a limited partnership may be individual entrepreneurs and/or legal entities, except for bodies of the legislative, executive, and judicial powers.

Legislative acts may set forth instances when executive bodies may be founders of a business partnership specially created for certain purposes.

5. A limited liability company, an additional liability company, and a joint stock company may be established by one person or consist of one person in case one person acquires all shares of the charter capital of a company or all shares of a joint stock company.

6. Foreign states, international organizations, foreign legal entities and foreign citizens, as well as stateless persons may participate on the same terms in business partnerships and companies established in accordance with this Law unless otherwise provided by legislation.

Article 4. Foundation documents of business partnerships and companies. State registration of business partnerships and companies

1. The foundation documents of a business partnership or company are the Founders Agreement and Charter.

2. The foundation document of a business company established by one person is its charter.

3. The contents of the founders agreement of a business partnership or company are a commercial secret. The founders agreement must be presented to state or other official bodies, as well as to third parties only by a decision of the founders of the business partnership or company or in cases provided by legislative acts.

All interested persons have the right to review the charter of a business partnership or company.

4. The founders agreement of a business partnership or company shall be signed by all founders.

5. The charter of a business company shall be signed by the person designated as the manager by the general meeting of founders of the company.

The charter of a business company founded by one person shall be signed by the founder.

6. The authenticity of signatures on a founders agreement of a business partnership or company must be authenticated by a notary.

7. In the founders agreement, the founders obligate themselves to establish a business partnership or company, to establish a procedure of activity for its creation and to determine: terms of transfer of the founders' property to the property of the partnership or company; participation in its activities; distribution of profits and losses among founders; management of its activities; withdrawal from it; amount of parts (shares) of each founder; amount, form, timing and procedure of making contributions; liability of founders for violation of obligations to make contributions; and amount and composition of charter capital.

A founders agreement may contain any other information provided by legislation or the founders.

8. The charter of a business company shall be ratified by the founders who are specified in the founders agreement.

The charter of a business company, and also the foundation agreement of a business partnership, shall determine: the type of partnership or company, its name, location, duration of its activities (if established at the time of its foundation), the powers of the head of the company, the management and control bodies, their jurisdiction, procedure of formation of its assets, procedure of distributing profits and recovering losses, terms of termination of the activities (restructuring or liquidation) of the partnership or company, and mutual relationships between the partnership or company and its founders.

The charter of a business company and the founders agreement of a business partnership may also contain other provisions set forth by legislation or by the founders.

9. In addition to the provisions contained in Paragraphs 7 and 8 of this Article, the foundation documents shall include provisions set forth by this Law for the different types of partnerships and companies.

10. In case terms required by Paragraphs 7, 8 and 9 of this Article are absent from the foundation documents, the foundation documents shall be deemed invalid at the request of state bodies having this right in accordance with legislation as well as at the request of other interested persons in a judicial proceeding.

11. After state registration of a business partnership or company, the founders are referred to as owners of the partnership or company.

12. A list and contents of foundation documents of particular types of commercial organizations founded as business partnerships or companies shall be determined by legislative acts on these organizations.

13. State registration of business partnerships and companies shall be in accordance with procedures established by legislation. Information on business partnerships and companies contained in the state registry of legal entities shall be published on a regular basis in the official press of the agencies registering legal entities.

The specifics of state registration of business partnerships and companies with participation of foreign states, international organizations, foreign legal entities and foreign citizens, as well as persons without citizenship, shall be determined by legislation.

Article 5. Assets of business partnerships and companies

1. The assets of a business partnership or company consist of fixed assets, current assets, and other property, the value of which is reflected on the balance sheet of the partnership or company.

2. Property belongs to a business partnership or company on the basis of ownership right.

3. Sources of formation of the property of a partnership or company are:

1) Contributions of the founders to the charter capital;

2) Income derived from its activities;

3) Other sources which are not prohibited by legislation.

Article 6. The charter capital of a business partnership or company

1. The total of the founders' contributions constitutes the charter capital of the business partnership or company.

2. The contribution of founders to a business partnership or company may consist of money in the national currency of the Kyrgyz Republic or, in cases provided by legislation, in foreign currency, and also buildings, structures, equipment, raw materials, materials, goods, production, securities, other material valuables and alienable ownership rights, including the rights to the results of intellectual activities, the value of which shall be reflected on the balance sheet of the partnership or company.

3. If a founder transfers property to a partnership or company only for use, the amount of the contribution and the respective founder's share shall be determined on the basis of rent for use of the property for the entire period of activity indicated in the foundation documents of the partnership or company or for another period if otherwise not provided for in the foundation documents.

The risk of casual loss or damage to property transferred to a partnership or company is on the founder who transferred the property, unless otherwise provided by foundation documents.

4. Reduction of charter capital of a business partnership or company is allowed only after all creditors have been notified, personally, in writing. In this case, creditors have the right to demand early termination or fulfillment of corresponding obligations and compensation for related losses.

5. Reduction of charter capital below the minimum size provided by this Law and other legislative acts for special types of business partnerships and companies is prohibited.

Reduction of charter capital in violation of the procedure set forth in Paragraphs 4 and 5 of this Article is a basis for liquidation of the business partnership or company pursuant to a court decision at the request of interested parties.

Article 7. Founders' shares in the property of a business partnership or company

1. The shares of the founders in the property of a business partnership or company is proportional to their contributions to the charter capital.

2. The shares of founders in the property of a business partnership or company shall be calculated in per cent form, and in a joint stock company - in the number of shares.

3. The founders of a business partnership or company may establish a different method to determine their shares in the property of the partnership or company.

4. The founders of a business partnership or company have the right to encumber or sell their shares of the property of the partnership or company unless otherwise provided by special legislation or by the foundation documents.

Article 8. Management of a business partnership or company

1. The supreme body of a business partnership or company is the general meeting (meeting of representatives) of its founders. The activities of a general or limited partnership shall be managed by general consent of the general partners.

2. An executive body (collegial or single person) which carries out everyday management of its activities shall be created in a business partnership or company and shall be subordinate to the general meeting of founders.

3. Collegial bodies may be established as:

1) management (directorate);

2) the supervisory council;

3) other bodies established by a decision of the general meeting (meeting of representatives) of the founders of the business partnership or company.

4. The general meeting of founders may establish an audit committee for the purpose of monitoring the activity of the executive body.

5. The jurisdiction of management bodies of a business partnership or company, the procedure of their election (appointment), as well as the procedure of adoption by them of decisions, is provided by this Law, other legislative acts and the foundation documents.

Article 9. Termination of activities of a business partnership and of a company

1. The activity of a business partnership or company ceases:

1) upon expiration of the term for which it was created;

2) upon achieving the aim for which it was created;

3) by agreement of the founders;

4) upon declaration of the business partnership or company as bankrupt in the established procedure;

5) in other cases provided by this Law, other legislation or by the foundation documents of a business partnership or company.

2. The activities of a business partnership or company cease upon its reorganization (merger, consolidation, break-up, or change of type of legal entity) or in case of liquidation.

Upon the reorganization of a business partnership or company, the necessary changes in the foundation documents of the partnership or company and in the State Register of Legal Entities shall be made, and in the case of liquidation - a corresponding notation in the State Register.

3. Business partnerships and companies of one type may be reorganized into business partnerships or companies of another type upon a decision of the general meeting of founders in accordance with the provisions of this Law.

4. Upon reorganization of a general or limited partnership into a joint stock company, a limited liability company, or an additional liability company, each general partner remaining as a founder of the new joint stock company, limited liability company or additional liability company shall bear joint and several liability with all his/her property for the obligations of the general or limited partnership which are succeeded to by the joint stock company, limited liability company, or additional liability company, for two years. Alienation by a former general partner of his stock (shares) does not free him from such liability.

5. Liquidation of a business partnership or company is conducted by a liquidation committee appointed by its founders, and in the case of a court ordered bankruptcy, by the liquidation committee appointed by the court.

The liquidation committee shall publish a notice on the forthcoming liquidation of the business partnership or company in accordance and in the time periods set forth in the civil legislation of the Kyrgyz Republic.

6. From the moment of the appointment of the liquidation committee, all authority for the management of the business partnership or company is transferred to it. The liquidation committee shall valuate current assets of the partnership or company, notify its creditors and satisfy their claims, and prepare a liquidation balance sheet and submit it to the founders of the partnership or company.

Creditors' claims shall be satisfied in accordance with the Civil Code of the Kyrgyz Republic, legislation on bankruptcy, and other legislation of the Kyrgyz Republic.

7. Remaining property of a business partnership or company, after settlement of wages to employees, including compensatory pay allowed by legislation to employees of the partnership or company, and fulfillment of obligations to the budget and to creditors of the partnership or company, shall be distributed among the founders in proportion to their contributions to the charter capital of the partnership or company or in accordance with other procedures set forth in the foundation documents.

8. Upon the liquidation of a business partnership or company, the liquidation balance sheet shall be presented to the registration agency on the basis of which a corresponding notation in the state register shall me made on the liquidation of the partnership or company.

9. Liquidation is considered complete and a business partnership or company shall cease its activity from the moment of recording of the notation about its liquidation in the State Register of Legal Entities.

SECTION 2
SPECIFICS OF PARTICULAR TYPES OF BUSINESS PARTNERSHIPS AND COMPANIES

Chapter 1
General partnerships

Article 10. The concept of a general partnership

A general partnership is a business partnership, the founders of which bear joint and several liability for all its obligations with all their property in case of insufficiency of the property of the general partnership.

Article 11. Rights and responsibilities of founders of a general partnership

1. The founders of a general partnership have the right to:

1) participate in the management of the general partnership pursuant to the procedures set forth in this Law and in the partnership's foundation documents, and which include the right to participate in the distribution of profits earned by the partnership;

2) receive full information on the activities of the general partnership, including the right to review accounting and other documents of the partnership;

3) receive profit from the activities of the general partnership according to the size of the founder's share in the property of the partnership if otherwise not provided by the foundation documents;

4) withdraw from the general partnership in accordance with established procedures;

5) in case of liquidation of the general partnership, to receive a part of its property or the value of the same corresponding to the founder's share of the property of the partnership remaining after satisfaction of creditors' claims.

2. The founders of a general partnership may also have other rights provided by this Law, by other legislative acts, and by the foundation documents of the partnership.

3. Denial or restriction of the rights provided to founders of a general partnership by this Law or other legislation, including by an agreement between the founders of the partnership, is invalid.

4. The founders of a general partnership are obligated to:

1) fulfil the provisions of the foundation documents of the general partnership;

2) participate in the activities of the general partnership in accordance with the procedure set forth in the foundation documents, including to conduct business on behalf of the partnership or to assist it in carrying out its activities;

3) make contributions in accordance with the procedure, form and amount set forth in the foundation documents of the general partnership;

4) refrain from conducting transactions on their own behalf and in their own interests which are similar to those which are areas of the partnership's activities;

5) not disclose information which the partnership considers a commercial secret.

5. The founders of a general partnership may also bear other responsibilities provided by this Law, other legislative acts, and the foundation documents.

6. Agreements among the founders of a general partnership obligating them to undertake actions which are beyond the duties provided by this Law, other legislation and by the foundation documents, are invalid.

7. In case a founder of a general partnership does not fulfil obligations set forth in this Law, other legislation, and the foundation documents, and such non-fulfillment causes harm to the partnership or to its founders, the other founders have the right to demand from such a founder compensation for the losses, and in case there is substantial harm, to demand his expulsion from the partnership through a judicial proceeding.

Article 12. The charter capital of a general partnership. Shares of founders in the property of a general partnership

1. The founders of a general partnership shall create the charter capital of the partnership.

2. The amount, procedure and period for creation of the charter capital of a general partnership shall be set forth in the partnership's foundation documents.

3. The shares of the founders in the property of a general partnership shall be determined in accordance with the provisions of Article 7 of this Law.

Article 13. Implementation of business activities in a general partnership

1. Each founder of a general partnership has the right to act on behalf of the partnership, if the founders agreement does not state that all its founders shall implement business activities jointly, or that conducting business affairs is delegated to specified founders.

A decision on internal issues of a general partnership shall be made by general agreement of all founders.

Foundation documents of a general partnership may provide cases when a decision shall be made by a majority vote of the founders. Each founder of a general partnership has one vote if the founders agreement does not set forth another procedure to determine the number of votes of its founders.

The foundation documents may set forth that the number of votes of the founders shall be determined in proportion to their share in the partnership's charter capital.

2. Management of a general partnership, taking into consideration the provisions contained in Paragraph 1 of this Article, may be delegated to an executive body of the general partnership.

The types, procedure for creation, and jurisdiction of management bodies, shall be determined by the foundation documents.

3. A founder of a general partnership does not have the right to conduct transactions in his name, in his own interest, or in the interest of third parties when the transactions are similar to those of the partnership's activities, without the consent of the other founders. In case this provision is violated, a partnership may, at its discretion, demand that such a

founder either cover the losses the partnership has suffered or transfer all the profits derived from these transactions to the partnership.

4. Management bodies of a general partnership which are authorized to implement the activities of a partnership are obligated to present to any founder upon demand full information on its activities.

5. A founder, whose actions are in the general interest of the partnership but unauthorized and are not ratified by the remaining founders, has the right to demand that the partnership reimburse all expenses incurred upon proof that, due to these actions, the partnership has saved or acquired property in excess of the expenses incurred by the partnership.

Article 14. Changes of the composition of founders of a general partnership

1. In case of a change in the composition of the founders of a general partnership as a result of a founder's withdrawal from the partnership, his declaration as bankrupt, or in case a creditor (creditors) executes against his share in the property of the partnership, or in case of a founder's death or declaration of his death, or acknowledged as missing due to unknown reasons, or is generally or partially incapacitated, the activities of the general partnership shall be terminated unless otherwise provided by the foundation documents of the partnership or otherwise stated by an agreement of the remaining founders.

2. In case a general partnership continues its activities, as well as upon the transfer of the share of a founder in the property of the partnership to other founders or to third parties, exclusion of a founder from the partnership or acceptance into the partnership of new founders, the partnership shall be re-registered and corresponding amendments shall be introduced to the foundation documents.

Article 15. Withdrawal of a founder from a general partnership

1. A founder of a general partnership has the right to withdraw from it upon notice of his refusal to participate further in the partnership.

2. Notice of refusal to participate in a general partnership must be made by the founder no less than 6 months before his actual withdrawal from the partnership.

3. The foundation documents of a general partnership may provide a different notice period for withdrawal of a founder from a partnership than that provided by this Article.

Any agreement among founders of a partnership on denial of the right to withdraw from a partnership is invalid.

Article 16. Consequences of withdrawal of a founder from a general partnership

1. A founder who withdraws from a general partnership shall be paid the value of the partnership's property which is proportional to the amount of the founder's contribution to the charter capital of the partnership.

2. Calculation of the value of the portion of a general partnership's property due to a founder upon his withdrawal shall be determined in accord with the partnership's balance sheet made as of the date of the founder's withdrawal and it shall be paid within 30 days from the date of the founder's actual withdrawal from the partnership.

3. By agreement between the withdrawing founder and the remaining ones, payment of the value of the portion of the general partnership's property may be made in-kind.

4. A withdrawing founder shall be also paid his portion of profit received by the general partnership in the given year of his withdrawal from the partnership.

5. Upon withdrawal, a partner who has only partially made his contribution to the charter capital of the general partnership, shall be paid only the value of the paid portion, unless the foundation documents or an agreement of the founders provide otherwise.

6. Property which a withdrawing founder has transferred for use by the general partnership shall be returned without paying any fee unless otherwise provided by the foundation documents of the partnership.

7. After a founder's withdrawal, the shares of the remaining founders in the property of the general partnership shall increase in proportion to their original amount determined as of the date of withdrawal, unless otherwise provided by foundation documents or by an agreement among founders.

Article 17. Transfer of a share (part of a share) of a founder of a general partnership

1. A founder may transfer his share (or portion of share) to other founders of the partnership or to third parties only with the approval of all other founders.

2. Upon transfer of a share to another founder of the partnership or to a third party, there is a simultaneous transfer of the all rights and liabilities of the withdrawing founder.

3. In case of the death of a founder of the partnership or of his being declared dead, the legal successor (heir) may join the partnership with the approval of the remaining founders.

4. In case a legal successor (heir) declines to join the general partnership or in case the partnership declines to admit the successor (heir), he shall be paid the value of the share in the property of the partnership belonging to the successor as determined on the date of the founder's death or of the declaration of his death in accordance with procedure established by Article 16 of this Law.

Article 18. Expulsion of a founder from a general partnership

1. If any founder of a general partnership is declared missing, incapacitated or partially incapacitated, he may be expelled from the partnership by a unanimous decision of the remaining founders. The same procedure applies to the expulsion of a founder which is a legal entity and which has begun reorganization procedures pursuant to a court decision.

2. The founders of a general partnership have the right to demand through a judicial proceeding that one or more founders be expelled from the partnership on the basis of a unanimous decision of the remaining founders and if there is good cause for the expulsion, such as a gross violation of responsibilities or discovery of incapability to rationally conduct business.

3. A founder dismissed from a general partnership shall be paid for the value of his share of the partnership's property in accordance with the procedure in Article 16 of this Law.

4. All losses caused to a partnership by a dismissed founder may be recovered, by court decision, from the value of the share of the partnership's property payable to this founder which would be due to him under the withdrawal procedure and if this value is insufficient, then the costs may be recovered against other property belonging to the dismissed founder.

Article 19. Execution of debts against the share of a founder's property in a general partnership

1. Execution of personal debts of a founder against his share of the general partnership's property is allowed only if his other property is insufficient to recover these debts. Creditors of such a founder have the right to demand the general partnership to assign a share of the partnership's property proportionate to the debtor's contribution to the charter capital of the partnership in accordance with the procedure established by Article 16 of this Law in order to execute against this property. The share of property or its value subject to assignment shall be determined according to a balance sheet made at the moment which creditors make their demand for such assignment.

2. Recovery of debts from a founder's share of a general partnership's property shall terminate his participation in the partnership and bring the consequences set forth in Articles 14, 18, and 23 of this Law.

Article 20. Consequences of Declaring a Founder of a General Partnership Missing Due to Unknown Reasons, Incapacitated or Partially Incapacitated

1. If a founder of a general partnership has been declared missing due to unknown reasons or incapacitated, the trustee of this founder or of this founder's property may take part in the partnership's activities only with the approval of all remaining founders of the partnership.

A similar approval of all founders of the partnership is required for participation in the business of the partnership of a founder declared partially incapacitated.

2. If the trustee of the founder declared missing due to unknown reasons or incapacitated refuses to participate in the activities of the general partnership in the name of the founder or if the partnership denies his participation, the trustee, being the founder's legal representative, shall be paid the value of the share of the partnership's property belonging to the founder in accordance with the procedure set forth in Article 16 of this Law.

To the founder declared to have limited legal capacity shall be paid the value of his share of the partnership's property in the event of the refusal of the partnership or if the legal representative of the founder refuses to participate in the activities of the partnership.

Article 21. Admission of new founders to a general partnership

1. Admission of new founders is possible only with the approval of all founders of the general partnership.

2. In case of admission of new founders the following amendments shall be introduced to the foundation documents of the general partnership:

1) new size of shares of the founders of the partnership;

2) procedure for management of the partnership;

3) amounts, procedures, periods and methods of making the contribution by a new founder of the partnership;

4) other conditions connected with the admission of a new founder.

Article 22. Distribution of profits and losses of a general partnership

1. Profits and losses of a general partnership shall be distributed among its founders in proportion to the size of their contributions to the charter capital of the partnership, unless otherwise provided by the founders agreement or by other agreement among founders.

2. Agreements according to which any founder of a general partnership is precluded from participation in distribution of profits and losses are invalid.

Article 23. Liability of founders for the debts of a general partnership

1. If a general partnership is being liquidated and its property is not sufficient to cover all its debts, its founders bear joint and several liability for the uncovered debts with all their property which, in accordance with legislation, may be used to cover these debts.

2. A founder of a general partnership admitted to it after its founding through a transfer or inheritance of a share bears the same liabilities as other founders, including for obligations which occur after (sic: before) his admission to the partnership.

A person who joins a partnership after its founding as a new founder is responsible only for those obligations which have emerged after his admission to the partnership.

3. A founder who has withdrawn from a general partnership by transferring his share to another founder or to a third party, whose creditor (creditors) has (have) executed against his share of the property of the partnership, or who has been refused by the remaining founders to participate in the activities of the partnership, or also a successor (heir) of a deceased or declared deceased founder whose admission to the partnership has been refused by the remaining founders, is not responsible for the obligations of the partnership.

4. A founder who has fully or partially paid the debts of a general partnership has the right to demand contribution for their corresponding share from the other founders who are responsible to him in proportion to the amount of their shares in the property of the partnership.

5. Upon termination of the activities of a general partnership, the founders are liable for obligations incurred by it before the date of termination for two years from the termination date.

6. Agreements between founders which change the procedure of their liability established in Kyrgyz legislation for the obligations of the general partnership set forth in this Article are invalid.

Article 24. Specifics for termination of activities of a general partnership

1. In addition to reasons indicated in Article 9 of this Law, the activities of a general partnership may also be terminated if there remains only one founder.

2. A founder of a general partnership has the right to admit new founders and save the general partnership within 6 months from the date when he became the only founder of the partnership.

3. A founder may, within 6 months from the date when he became the only founder of the general partnership, undertake the following actions:

1) enter into an agreement with investors on financing the activities carried out by the partnership and establish a limited partnership;

2) found an additional liability company, a limited liability company or a joint stock company in accordance with the requirements of this Law on minimum charter capital for the respective type of a company, or liquidate the partnership.

Chapter 2
Limited partnership

Article 25. The concept of a limited partnership

1. A limited partnership is a business partnership which consists of one or more founders bearing joint additional liability for the obligations of the partnership with all their property (general partners), and of one or more founders whose liability is limited by their contribution to the charter capital of the partnership (investors) and who do not participate in conducting the partnership's activities.

2. The legal status of general partners of a limited partnership and their liability for the obligations of the partnership are determined by the provisions for founders of a general partnership.

3. Requirements provided by this Law for a general partnership (Articles 10-24) apply to a limited partnership unless they contradict the provisions contained in this Chapter.

Article 26. Rights and responsibilities of investors of a limited partnership

1. Investors of a limited partnership have the right to:

1) receive a share of the partnership's profit in proportion to their share of property and charter capital of the partnership in accordance with the procedure set forth in the foundation documents;

2) review annual reports and balance sheets of the partnership as well as verify the accuracy of their contents;

3) transfer their share or a part of their share of the property to another investor or to a third party in accordance with the procedure set forth in this Law and by the foundation documents of the partnership;

4) withdraw from the partnership in accordance with the procedure set forth in Paragraph 2 of Article 30 of this Law and by the foundation documents of the partnership.

2. Investors of a limited partnership may also have other rights provided by this Law, other legislation and the foundation documents of the partnership.

3. Denial or restriction of the rights provided by this Law and other legislation for investors of a limited partnership, including when based on an agreement between investors and general partners, is invalid.

4. Investors of a limited partnerships are obligated to:

1) fulfil the requirements of the foundation documents of the partnership;

2) make their contributions according to the procedure, method, and size set forth in the foundation documents of the partnership;

3) in cases determined by the partnership's foundation documents, provide assistance in implementation of its activities including providing services to the partnership.

5. If an investor makes a transaction in the interests of the limited partnership without proper authorization, and then if the partnership ratifies the transaction, it shall be fully liable to creditors. In case no such ratification is gained, the investor is solely liable to a third party with all his property upon which the law permits execution.

6. Investors of a limited partnership may also bear other responsibilities provided by this Law, other legislation and the foundation documents of the partnership.

7. Agreements between general partners and investors obliging investors of the limited partnership to undertake actions which are beyond the scope of their responsibilities provided by this Law, other legislation, and the foundation documents, are invalid.

8. If an investor of a limited partnership does not fulfil his obligations set forth in this Law, other legislative acts and the foundation documents, and which causes harm to the partnership or to its founders, the general partners have the right to demand recovery of the damages from the investor, and in case of substantial harm - his expulsion from the partnership through a judicial proceeding.

Article 27. The charter capital of a limited partnership. Shares of founders in the property of a limited partnership

1. The charter capital of a limited partnership consists of the contributions of general partners and investors.

2. The total amount of shares of investors in the charter capital shall not be more than 50 percent. The foundation documents of a limited partnership may set forth an investor's responsibility to pay the contributions (portion of the contributions) of general partners.

3. The amount, procedure and terms of creation of the charter capital of a limited partnership shall be determined by the partnership's foundation documents.

4. Shares of the founders in the property of a limited partnership shall be determined in accordance with the procedure established by Article 7 of this Law.

Article 28. Contents of foundation documents of a limited partnership

1. The foundation documents of a limited partnership must indicate its firm name, which shall contain either the name of all general partners and the words "limited partnership" or the name of at least one general partner, the words "and company" plus the words "a limited partnership".

2. The foundation documents of a limited partnership shall also contain the information required by Paragraphs 7 and 8 of Article 4 of this Law.

Article 29. Management of the activity of a limited partnership

Management of business activities in a limited partnership shall be carried out by general partners. The procedure for managing and conducting the business of a limited partnership by its general partners shall be established by them in accordance with the requirements for a general partnership. Investors may not participate in the management of a limited partnership, nor undertake any actions on its behalf without a corresponding power of attorney. Investors of a limited partnership may not dispute actions undertaken by general partners in the management of the business activities of the partnership.

Article 30. Changes in the composition of investors in a limited partnership

1. The transfer by an investor of his share (part of a share) of the property of a limited partnership to other investors, general partners or to third parties is allowed only with the approval of all general partners, unless otherwise provided by the foundation documents of the partnership.

Upon the transfer of a share to other investors, general partners or third parties, there is a simultaneous transfer of the of all rights and obligations belonging to the investor withdrawing from the limited partnership.

2. An investor of a limited partnership has the right to withdraw from it after the end of its fiscal year upon giving notice of his refusal to participate further in the partnership.

Notice of withdrawal must be made by the investor not less than six months before the end of the fiscal year unless otherwise provided by the foundation documents of a partnership.

Withdrawal of an investor from a limited partnership causes the consequences provided by Article 16 of this Law.

3. The procedure for execution by a creditor (creditors) on the share of an investor in the property of a limited partnership is determined by Article 19 of this Law.

4. If by a unanimous decision of all general partners, the general partners have the right to demand through a judicial proceeding that one or more investors be dismissed for failure to make their full contributions to the charter capital of the partnership.

An investor expelled from a limited partnership shall be paid the sum of his contributions to the charter capital of the partnership unless otherwise provided by the foundation documents.

If an investor has not made any contribution to the charter capital of a limited partnership, his membership in the partnership shall be terminated within 30 days from the date set forth in the partnership's foundation documents for making contributions, unless otherwise provided by the foundation documents of the partnership.

5. In case of termination (liquidation or reorganization) of a legal entity-investor of a limited partnership, or in case of death or declaration of death of a physical person-investor of a partnership, legal successorship shall take place in accordance with the procedure provided by the Civil Code of the Kyrgyz Republic.

Article 31. Consequences of withdrawal of founders from a limited partnership

If a founder (a general partner or an investor) withdraws from a limited partnership, the shares of the other founders in the property of the partnership increase in proportion to their initial size established on the date of the founder's withdrawal, unless otherwise provided by the foundation documents or by an agreement of the founders.

Article 32. Admission of new founders to a limited partnership

1. Admission of new general partners or investors to a limited partnership may take place only on the basis of the agreement of all general partners.

2. Upon admission of new general partners or investors, amendments may be introduced to the foundation documents of the limited partnership which relate to:

1) new size of shares of founders in the property of the partnership;

2) changes of the procedure for management of the partnership;

3) size, procedures, terms and methods of making contributions to the charter capital of the partnership by new general partners and investors;

4) other conditions connected with admission of a new founder.

Article 33. Distribution of profits and losses of a limited partnership

1. Profits and losses of a limited partnership shall be distributed among all its founders in proportion to the size of their shares in the property of the partnership, unless otherwise provided by the partnership's foundation documents or by an agreement of the founders.

2. An agreement to preclude any founder from participating in the distribution of profits or covering losses of a partnership is not permissible.

Article 34. Liability of founders for debts of a limited partnership

1. General partners bear joint and several liability with all their property for debts of a limited partnership in accordance with the procedure set forth in Article 23 of this Law.

2. Liability of investors for the debts of a limited partnership is limited to the amount of their contributions to the charter capital of the limited partnership.

Article 35. Specifics of termination of activities of a limited partnership

1. The activity of a limited partnership, in addition to reasons indicated in Article 9 of this Law, shall be terminated in case of withdrawal from it of all general partners or of all investors.

A limited partnership may exist as long as at least one general partner and one investor remain.

2. The remaining general partners in a limited partnership, within six months from the date of withdrawal of the last investor, or the remaining investors in the partnership, within six months from the date of withdrawal of the last general partner, have the right to admit into the partnership new founders in order to save the partnership. In this case, the general partners or investors- physical persons also have the right to reorganize the limited partnership into a general partnership.

3. In case only general partners or only investors remain in a limited partnership, they also have the right to undertake the actions provided by Paragraph 3 of Article 24 of this Law.

4. In the liquidation of a limited partnership, investors have a priority right over the general partners to receive contributions from the property of the partnership which remains after satisfaction of the claims of its creditors. After the creditors are satisfied, the remainder of the limited partnership's property shall be distributed to the general partners and investors in proportion to their contributions in the property of the partnership, unless another procedure is established by the foundation documents.

Chapter 3
Limited liability company

Article 36. The concept of a limited liability company

1. A limited liability company is a business company, the founders of which are not liable for its obligations and whose risk of losses connected with the activity of the company is limited to the value of their investment.

Founders of a limited liability company who have only partially made their contributions to the charter capital bear joint and several liability for the company's obligations to the extent of the value of the unpaid contributions of each of the founders.

Article 37. Rights and Obligations of Founders of a Limited Liability Company

1. Founders of a limited liability company have the right to:

1) participate in the management of the limited liability company in accordance with the procedure set forth in this Law and in the company's foundation documents, including to participate in distribution of the profits of the company;

2) receive all information on the activity of the limited liability company, including to review accounting and other documents of the limited liability company;

3) receive profit from the activity of the limited liability company according to year-end results in accordance with the size of their share of the property of the limited liability company, unless otherwise provided by the foundation documents;

4) withdraw from the limited liability company in accordance with established procedure;

5) upon liquidation of a limited liability company, to receive a part of its property or its value corresponding to their share of the property of the partnership (sic: limited liability company) remaining after satisfaction of creditors' claims.

2. Founders of a limited liability company may also have other rights provided by this Law, other legislative acts, and the foundation documents of the limited liability company.

3. Denial or restriction of rights provided to founders of a limited liability company by this Law and by other legislation, including by an agreement by the founders of a limited liability company, is invalid.

4. Founders of a limited liability company are obligated to:

1) fulfil the provisions of the foundation documents of the limited liability company;

2) participate in the activity of the limited liability company in accordance with the procedure set forth in the foundation documents;

3) make contributions in accordance with the procedure, method and size set forth in the foundation documents of the limited liability company;

4) keep confidential information which the limited liability company considers a commercial secret.

5. Founders of a limited liability company may also have other obligations set forth by this Law, legislative acts, and the foundation documents.

6. In case a founder of a limited liability company does not fulfil his obligations set forth in this Law, other legislation, and the foundation documents, and such non-fulfillment causes harm to the limited liability company or to its founders, the other founders have the right to demand such a founder to compensate the loss, and in case the harm done is substantial, they may demand expulsion through a judicial proceeding.

Article 38. The charter capital of a limited liability company.
Shares of founders in the property of a limited liability company

1. Founders of a limited liability company shall create the charter capital, the size of which must be stated in the foundation documents, and which cannot be less than one minimum wage established in the Kyrgyz Republic as of the moment the founders make their contributions to the charter capital.

2. By the moment of registration of the company, its founders must pay not less than half of the amount of charter capital stated in the foundation documents.

The unpaid part of the charter capital stated in the foundation documents must be paid by the founders not later than one year from the registration date of the limited liability company. In case of noncompliance with the periods of payment, the company must either declare a reduction of its charter capital and register this reduction in accordance with the established procedure or terminate its activities through liquidation.

3. Shares of the founders in the property of a limited liability company shall be determined in accordance with the provisions of Article 7 of this Law.

4. If, at the end of the second and subsequent fiscal years, the value of net assets of a limited liability company is less than its charter capital, then the company shall, in accordance with requirements provided by Paragraph 4 of Article 6 of this Law, declare a reduction of its charter capital and register it according to the established procedure.

5. A change (increase or decrease) in the charter capital of a limited liability company may be done only after all founders have made their contributions to the company's charter capital as stated in the foundation documents.

6. Founders of a limited liability company may increase or decrease the amount of charter capital.

The decision of the founders to change the charter capital shall come into force from the moment of re-registration of the limited liability company.

Article 39. Issuance of bonds by a limited liability company

A limited liability company may issue bonds in accordance with the procedure set forth in legislation on securities.

Article 40. Management of a limited liability company

1. The supreme body of a limited liability company is the general meeting of its founders.

2. A limited liability company shall create its executive body (collegial or (and) one person) which carries out regular management of its activity and which is subordinate to the general meeting of its founders. A non-founder may be elected as the single person executive body.

3. The jurisdiction of management bodies in a limited liability company and the procedure of adopting decisions and acting on behalf of the company shall be determined by this Law, other legislation, and the foundation documents.

4. The following issues are in the exclusive jurisdiction of the general meeting of founders of a limited liability company:

1) amendments to the company's charter, including changes of the size of its charter capital;

2) establishment and recall of the company's executive bodies;

3) approval of a company's annual reports and balance sheets and distribution of its profits and losses;

4) adoption of decisions on reorganization or liquidation of the company;

5) election of an audit committee (auditor) of the company.

The charter of a company may also provide that decisions on other such issues is within the exclusive jurisdiction of the general meeting of the company's founders. Issues referred to the exclusive jurisdiction of the general meeting of the founders of the company cannot be delegated to the company's executive body for resolution.

5. The number of votes belonging to each founder of a limited liability company shall be in proportion to the founder's share in the company's charter capital, unless otherwise provided by the foundation documents.

6. Decisions at a general meeting of founders are by a simple majority vote of the total votes, except that decisions on issues set forth in Subparagraphs 1) and 4) of Paragraph 4 of this Article shall be by two-thirds of the total number of votes.

The foundation documents of a limited liability company may provide a different procedure from that contained in this Article for adopting decisions.

7. The founders of a limited liability company have the right to delegate their powers at a general meeting to another founder of the company, unless otherwise set forth in the foundation documents.

8. A representative (permanent or temporary) of a founder of a limited liability company may act on behalf of the founder at a company's general meeting.

9. A founder of a limited liability company may, at any time, terminate the powers of persons indicated in Paragraphs 7 and 8 of this Article, by giving notice to other founders or the executive bodies about the termination.

Article 41. Control over the activities of the executive body of a limited liability company

1. A general meeting of founders of a limited liability company has the right to establish an audit committee in order to implement control over the activity of the company's executive body.

2. An audit committee of a limited liability company may consist of persons who are authorized, in accordance with legislative acts, to provide auditing services, of independent experts in the field of finance and accounting, and of other persons.

Members of a company's executive bodies may not be members of the audit committee.

3. When conducting an audit of the financial and business activities of an executive body of a limited liability company, the audit committee has the right to demand that members of the executive body submit all necessary materials, accounting and other documents and personal explanations, to the audit committee. The audit committee shall present the results of the audit to a general meeting of founders of the limited liability company.

4. An audit of financial and business activities of a limited liability company's executive body shall be implemented in accordance with the procedure established by a general meeting of the founders.

5. In cases provided by legislation or decisions of a general meeting of founders of a limited liability company, an audit committee shall make a statement on the annual balance sheet and other accounts of the company. In this case, a general meeting of founders cannot approve the annual balance sheet and other accounts of the company and distribute its profits and losses without such a statement.

6. Founders of a limited liability company have the right to set forth other procedures than those in this Article for control over the activity of the executive body.

7. In cases set forth in legislation, a general meeting of founders of a limited liability company is obligated to arrange an independent audit of the company's activities.

8. At the request of any founder of the company, an audit of the activity of the limited liability company must be conducted. In this case, payment for the expense of the audit is shared equally by the founder demanding the audit and the company, unless otherwise set forth in the foundation documents of the company.

9. A limited liability company is not obligated to publish its accounts except for cases provided by legislation or in a company's foundation documents.

Article 42. Changes of the composition of founders of a limited liability company

In case of a change in the composition of founders of a limited liability company, the corresponding changes must be introduced into the foundation documents in the agencies of state registration of legal entities.

Article 43. Withdrawal of a founder from a limited liability company

1. Founders of a limited liability company have the right to withdraw from it at any time without the consent of the other founders. Notice on refusal to participate further in the company must be submitted by a founder not less than 1 month before actual withdrawal from the company.

The foundation documents of a limited liability company may set forth any other period of notice of withdrawal from the company.

2. A founder withdrawing from a limited liability company shall be paid the value of his share of the company's property, pursuant to the procedure, method, and periods provided by Article 16 of this Law.

Article 44. Transfer of a founder's share in the property of a limited liability company

1. A founder of a limited liability company has the right to sell or otherwise transfer his share or a part thereof in the company's property which corresponds to his share in the charter capital of the company to one or several founders of the company.

The share of a founder of a limited liability company may be sold before full contribution to charter capital is made by him or to the extent to which the contribution has been paid, unless otherwise set forth in the foundation documents of the company.

2. Transfer by a founder of his share (or part of share) of the property of a limited liability company to third parties is allowed.

Founders of a limited liability company have a preemptive right to purchase a founder's share (or part of share) in proportion to the size of their shares in the company's property, unless otherwise set forth in a company's charter or by an agreement among its founders.

If the founders do not exercise their preemptive right within a month from the date of notice or within any other period set forth in the company's charter or by an agreement among its founders, a founder may transfer his/her share to a third party.

3. If the charter does not allow transfer of a founder's share (or part of share) to third parties, and the other founders of the company have refused to purchase it, the company is obligated to pay its actual market value or to give him in-kind property of the same value.

4. If a share (or part of share) of a founder is acquired by the limited liability company itself, it is obligated to sell it to the other founders or to third parties within the term and pursuant to the procedure set forth in the foundation documents of the company or to decrease its charter capital in accordance with to Paragraph 4 of Article 38 of this Law. During this period of time, distribution of profits, and also voting at the supreme body of the company, shall be made without counting the share acquired by the company.

5. In the event of the death or declaration as dead of a physical person-founder of a limited liability company, or in the event of the termination of activity (liquidation or reorganization) of a legal entityfounder of a limited liability company, their shares in the company's property shall be transferred to the legal successors (heirs), unless the foundation documents provide that such a transfer is allowed only with the approval of the other founders. Denial of such a transfer shall result in the withdrawal of the legal successor (heir) from the limited liability company and cause the consequences set forth in Article 43 of this Law.

If a physical person-founder of a limited liability company dies or is declared dead or a legal entity-founder of the company which has terminated its activities has not fully made contributions to the charter capital of the company, their legal successor (heir) shall be paid only the value of the paid in portion of the contribution unless otherwise established by the company's charter.

Article 45. Expulsion of a founder from a limited liability company

1. A founder of a limited liability company may be expelled from the company by a decision of a general meeting of its founders which is adopted by a two-thirds vote of all founders of the company if he has grossly violated the company's charter and thereby caused harm to the interests of the company.

The decision of a general meeting on a founder's expulsion from a limited liability company may be appealed in court.

2. Expulsion of a founder from a limited liability company is allowed only in the situation provided by Paragraph 7 of Article 11 of this Law.

3. The expulsion of a founder from a limited liability company shall be done according to the procedure set forth in Article 18 of this Law.

Article 46. Execution on the share of a founder in the property of a limited liability company

1. Execution for personal debts on the share of a founder in the property of a limited liability company is allowed only in case the founder's other property is insufficient to cover such debts. Creditors of such a founder have the right to demand from the limited liability company payment of the value of the property of the company which corresponds to the debtor's share in the charter capital or to assign a part of the property of the company in satisfaction of the execution. The part of the company's property appropriated or its value shall be determined in accordance with a balance sheet made on the date on which notice of the demand is made by the creditors.

2. If a founder has not fully made his contribution to the charter capital of the limited liability company, creditors have the right to demand the sum of this contribution unless otherwise provided by the company's charter.

3. Executing debts from the entire share of a founder in the property of a limited liability company shall terminate his participation in the company.

Article 47. Consequences of declaring a physical person-founder of a limited liability company missing, legally incapacitated or partially incapacitated

1. If a physical person-founder of a limited liability company is declared missing or legally incapacitated, his guardian may participate in the activity of the company as the legal representative of this founder, unless otherwise provided by the foundation documents.

2. If a physical person-founder of a limited liability company has been declared partially incapacitated, he may participate in the activity of the company with the approval of his guardian, unless otherwise provided by the foundation documents.

Article 48. Consequences of withdrawal of founders from a limited liability company

Upon a founder's withdrawal from a limited liability company, the shares of the remaining founders shall increase in proportion to their initial size determined on the date of withdrawal of the founder from the company, unless otherwise provided by foundation documents or by an agreement among the founders of the company.

Article 49. Admission of new founders to a limited liability company

1. Admission of new founders to a limited liability company is allowed only with the approval of all the founders, unless otherwise provided by the foundation documents of the company.

2. Upon admission of new founders, the following changes shall be made to the foundation documents of the limited liability company:

1) the new size of charter capital and of the shares of founders of the company;

2) the amount, procedure, terms and methods of making contributions to the charter capital of the company by the new founders;

3) other conditions required for admission of a new founder.

Article 50. Additional contributions of founders of a limited liability company

By a decision of a general meeting of founders of a limited liability company, contribution of additional investments may be required. A decision on this issue must be adopted by a qualified twothirds majority vote of all founders of the company, unless the provisions of the company's charter require a unanimous decision of all founders. If additional contributions are required, the founders' shares shall be changed proportionately.

Article 51. Specifics of termination of activity of a limited liability company

1. A limited liability company shall terminate its activities for reasons set forth in Article 9 of this Law.
2. A limited liability company may be converted only into a joint stock company.

Chapter 4
Joint stock conpany

Article 52. The Concept of a joint stock company

1. A joint stock company is a company, the charter capital of which is divided into a determined number of shares of the same par value. Founders of a company (shareholders) do not bear liability for the obligations of the company and bear risk for any losses connected with the company's activity only to the extent of the value of their shares.

In cases provided by legislation, non-commercial organizations may also be created in the form of a joint stock company.

2. A company owns property which is separate from the property of its founders, is liable for its obligations within the limits of its property, and is not liable for the obligations of its founders.

Founders bear joint and several liability for the obligations of the company if they have not fully paid their contributions to the charter capital of the company to the extent of the unpaid portion of their contribution.

3. A company may be established by one person or consist of one person in the event that all of the shares of the company are acquired by one shareholder.

4. A company may not have as its only founder another business company consisting of only one person.

5. The legal status of a company and the rights and responsibilities of its shareholders are regulated by this Law and other legislative acts of the Kyrgyz Republic.

Article 53. Open and closed joint stock companies

1. A joint stock company may be open or closed, which shall be so indicated in its charter and company name. An open joint stock company is a company whose founders may transfer their shares without the approval of other shareholders. An open joint stock company may conduct a public subscription for the shares issued by it and for their unrestricted sale pursuant to conditions set forth in legislation.

There are no limitations on the number and composition of shareholders in an open joint stock company.

2. An open joint stock company is obligated to publish annually for the public its annual accounting balance sheet, statement of financial results and their use, and other information required by this Law and other normative acts.

A company as well as its officials bear responsibility established by law for the accuracy of the information contained in its publications.

3. A company, the shares of which are distributed only to its founders or among any other pre-determined persons, is considered a closed joint stock company. A closed joint stock company does not have the right to conduct a public subscription for the shares issued by it or otherwise offer these shares for acquisition to an unlimited number of people.

4. The number of shareholders in a closed joint stock company who own its common (voting) shares may not exceed 50. If the number of shareholders of a closed joint stock company exceeds this limit, a general shareholder meeting shall, within a year from that date, adopt a decision to reorganize the company into an open joint stock company, introduce corresponding changes to its foundation documents, and register the changes. Upon the expiration of this period, a company is subject to liquidation in a judicial proceeding upon application by interested parties.

5. A shareholder of a closed joint stock company who wants to sell his shares is obligated to offer them to the other founders or to the company itself unless otherwise provided by the foundation documents. If the founders of the company refuse to purchase these shares, the shareholder has the right to sell them to third parties with the approval of the company (or if the company does not respond within one month from the shareholder's request).

6. The foundation documents may provide the possibility of expelling from a closed joint stock company through a judicial proceeding a founder whose actions substantially harm the interests of the company.

Article 54. Foundation documents of a joint stock company

1. The founders agreement of a joint stock company shall, in addition to the information required by Paragraph 7 of Article 4 of this Law, contain information on the types of shares issued by the company and distribution of these shares among founders, and the rights and obligations of the founders for establishing the company.

A founders agreement on establishing a joint stock company becomes valid as of the moment of its signing and is valid until the moment of completion by the founders of their obligations to make contributions to charter capital in the full amount.

2. The charter of a company shall be ratified by a foundation meeting and such ratification shall be reflected in the founders agreement. The charter of a joint stock company shall, in addition to the information provided by Paragraph 8 of Article 4 of this Law, contain the following provisions:

1) type of joint stock company (open or closed);

2) types of shares, their par value, number, and the rights of their holders;

3) procedure for establishing the funds of the company;

4) representative offices and branches (if any).

The charter of the company may contain other provisions which do not contradict this Law and other legislative and normative acts.

3. Besides a founders agreement and charter, the founders of the company have the right to also adopt other documents which regulate the activities of the company. Fulfillment of the requirements contained in these documents shall be obligatory for the executive bodies, officials and founders of the company.

Article 55. Charter capital of a joint stock company

1. The charter capital of a joint stock company consists of the contributions of shareholders in exchange for shares of the company in accordance with Paragraph 2 of Article 6 of this Law.

The charter capital of a joint stock company determines the minimum amount of a company's property which guarantees the interests of its creditors. It is equal to the aggregate nominal value of the shares issued by the company and for open companies it cannot be less than five hundred and for closed companies it cannot be less than one hundred minimum monthly salaries established in the Kyrgyz Republic at the moment of payment of contributions into the charter capital by the shareholders.

For establishment of certain types of banks, financial and insurance organizations which are joint stock companies, legislation may provide for an amount of the charter capital different from that indicated in this Article.

2. Fifty percent of a company's charter capital stated in the foundation documents must be paid by shareholders before the moment of its registration. The unpaid portion of the charter capital stated in the foundation documents must be paid within one year from the date of the company's registration. If a founder (founders) has not made his contribution to the charter capital of the joint stock company during the course of the year, if set forth in the foundation documents of the company, a penalty (fine, penalty) for such failure shall be paid. All paid contributions are at the company's disposal and shall not be refunded.

3. Open subscription for the shares of a company is not allowed before the charter capital has been fully paid. Upon the foundation of a company, all its shares must be distributed among its founders.

It is prohibited to release a shareholder from the obligation of paying for shares, even as an offset for a claim against the joint stock company.

4. If the value of a company's net assets after the second and subsequent financial years is less than the charter capital, the company is obligated to announce and re-register the decrease of its charter capital in accordance with the established procedure. If the value of the indicated assets is less than the minimal size of charter capital set forth in Paragraph 1 of this Article, the company shall be liquidated.

Article 56. Increase of the charter capital of a joint stock company

1. Upon a decision adopted by a general meeting of shareholders, a joint stock company has the right to increase the charter capital by increasing the par value of its shares or by issuing additional shares.

2. The charter capital of a joint stock company may be increased only after it has been fully formed as defined by the founders. A joint stock company is prohibited to increase the charter capital to cover losses it has suffered.

3. The charter of a company may set forth the preemptive right of shareholders of voting shares to purchase additionally issued shares by the company.

4. A decision on the increase of the charter capital of a company shall be adopted at a general shareholder meeting by not less than two-thirds of the total votes of the shareholders. The foundation documents of a closed joint stock company may provide for a different procedure of adopting a decision to increase the charter capital.

5. In a notice about a forthcoming general meeting to decide the issue on increasing charter capital, there shall be the following information:

1) reasons, methods and minimal amount of the increase of charter capital;

2) a draft of the changes to the charter of the company connected with the increase in charter capital;

3) the amount of additionally issued shares and their total value;

4) an account on prior issued shares and the rights of shareholders regarding the additionally issued shares;

5) dates of beginning and termination of the subscription to the additionally issued shares.

6. Issuance of additional shares or change of the par value of shares without state registration of the issuance of the securities and entry of the appropriate amendments in the charter of the joint stock company is prohibited.

7. Legislation on particular types of organizations (banks, financial and insurance organizations) which are joint stock companies may provide for procedures of increasing the charter capital different from those provided by this Chapter.

Article 57. Specifics of decreasing charter capital of a joint stock company

1. A joint stock company has the right to decrease its charter capital on the basis of a decision adopted by a general shareholder meeting by decreasing the nominal value of shares or by purchasing a portion of its shares in order to cancel them.

2. A decrease of a company's charter capital by purchasing and redeeming a portion of shares is allowed if provided by the company's charter.

3. A decision to decrease the charter capital of a joint stock company shall be adopted in accordance with the same procedure as for an increase of the charter capital.

4. Upon expiration of three months from the date of the publication of a company's decision to decrease its charter capital, those shares which were not submitted for cancellation or purchase are considered invalid.

Article 58. Founders of a joint stock company

1. The founders of a joint stock company shall make an agreement on its establishment which agreement shall determine the procedure of implementation of their joint activities on establishment of the company and liability to persons who subscribed to the shares and to third parties.

2. The founders of a joint stock company bear joint and several liability on the obligations which are associated with its foundation and which emerge prior to the state registration of the company.

A joint stock company shall be liable on the founders' obligations associated with its foundation only in the event of subsequent ratification of their actions by a general shareholder meeting.

3. The founders of a joint stock company cannot have rights and privileges which are not provided to other shareholders in the company's charter.

Article 59. Legal status of joint stock company

1. A joint stock company is obligated to issue shares, the value of which is expressed in the national currency of the Kyrgyz Republic, irrespective of the form of the made contribution.

2. A company may issue shares in name form or bearer form, unless otherwise provided by legislation on securities.

3. The right to pledge the shares of the company may not be limited or excluded by the provisions of the charter. A shareholder has the right to vote even a pledged share, unless otherwise set forth in the terms of the pledge.

4. A company may receive as a pledge shares issued by it only if:

1) the pledged shares have been paid in full;

2) the total number of shares pledged to the company and those it already holds as a pledge or otherwise is no more than 10 per cent of the charter capital;

3) the pledge agreement approved by a general meeting of the shareholders or the board of directors is made for the amount of shares for which the shareholders gave their consent;

A joint stock company may not pledge unissued shares of the company.

5. In addition to common shares, the charter of a joint stock company may provide for issuance of preferred shares which entitle the shareholder to receive guaranteed (fixed) minimum amount of dividends.

Owners of preferred shares do not have the right to vote on the issues of management of the company, except if the charter of the joint stock company provides for cumulative preferred shares, whereby the owners gain the right to vote at general meetings of shareholders on all issues within its competence, beginning with the meeting following the annual

general meeting of shareholders, if no decision to pay dividends was adopted or if a decision was adopted to make only partial payment of dividends on the preferred shares.

The right of shareholders-owners of cumulative preferred shares to participate in the general meeting of shareholders shall terminate on the moment of full payment of all accumulated dividends on the aforementioned shares.

The procedure of carrying out the rights of shareholders of preferred shares, including the priority in distribution of the company's assets in the case of its liquidation, shall be determined by legislation and the charter.

6. Preferred shares are issued with periodically payable dividends, but not less than once a year, for a preestablished amount fixed as a percentage of their par value. Dividends on such shares shall be paid in the amount specified therein, irrespective of the profit earned by the joint stock company in the given year. If the profits are insufficient, dividends on the preferred shares shall be paid from the reserve fund. If the amount of the dividends paid to the common shareholders exceeds the amount of dividend due on the preferred shares, the general meeting of the shareholders may decide to pay to the preferred shareholders an additional payment to achieve the amount of dividends paid to other shareholders, unless otherwise provided by the charter of the company.

Preferred shares cannot be issued for an amount in excess of 25 per cent of the charter capital of the company.

7. Legislation or the charter of a closed company may establish limitations for the number of shares, total par value of shares, or the maximum number of votes which one shareholder can hold.

8. The terms and procedure of issuance, registration, acquisition, distribution and circulation of shares is determined by legislation on securities.

9. A company is obligated to keep accounting records and to submit financial statements in compliance with the procedure established by the requirements of legislation and other normative acts of the Kyrgyz Republic.

10. A company bears liability for the organization, substance and authenticity of the accounting balance sheet in the company and for its timely presentation.

Article 60. Register of shareholders of a joint stock company

1. A joint stock company is obligated to ensure maintenance of the register of shareholders and storage of the register of shareholders in strict compliance with the legislative and other normative acts of the Kyrgyz Republic no later than one month from the moment of state registration of the joint stock company.

2. All movement of a share shall be fixed in the register of shareholders which is maintained by the company or other legal entity which is entitled to engage in the activity of maintaining shareholder registries. In the registry must be entered facts on each named share, the date of acquisition, and the number of such shares held by each shareholder with recording of the their particulars (location and settlement account for legal entities-shareholders, passport data and place of residence for individual shareholders). Particulars of individuals who notify the company that they have pledge rights to shares also shall be included in the register of shareholders, with an indication whether the pledge holder has the right to vote such shares.

3. The register of shareholders may contain other data provided by the legislation on securities (including data on persons who hold the shares and perform transactions with them in the interests of the shareholders).

Data on the company-issuer's own shares must be included in the register of shareholders.

4. The company is entitled to commission the registration of shares (maintenance of the register of shareholders) to a bank, depositary, or other specialized organization which is entitled to implement such activity in accordance with legislation. In this case, such organizations are obligated to inform the company on all changes entered in the register of the shareholders in compliance with the procedure and periods established by the agreement between them, but not less than within the periods established for payment of dividends.

Companies with more than 500 registered shareholders or those companies who list their shares on a stock exchange, and also in the event of a secondary issue, irrespective of the number of shareholders, are obligated to transfer maintenance of the register to an aforementioned organization.

5. Management is obligated to store the register of shareholders at the place of location of the joint stock company and (or) at another legal entity, which has the right to engage in maintenance of registries of shareholders, to provide shareholders and pledgees the opportunity to review it.

Upon the first demand of shareholders, nominee shareholders, or pledgees, the holder of the register of shareholders must provide excerpts from the register of shareholders to confirm their rights of ownership to the shares.

Entry of a record into the register should be made no less than 3 (three) days from the moment of submission of documents required by normative acts of the Kyrgyz Republic.

In case of refusal to enter a record into the register of shareholders, the holder of the aforementioned register, within five days of the date of the request to make an entry into the registry of shareholders, shall send to the person who requested entry of the record, an explanatory notice about denial of entry of the record.

A refusal to enter a record into the register of shareholders may be appealed to the audit committee of the joint stock company, the State Property Fund (if the state enterprise was privatized), the State Agency for Securities, or to a court.

The holder of the register of shareholders must, within two days of receipt of a decision by the aforementioned bodies, enter the appropriate record into the register of the shareholders.

Article 61. Rights and obligations of shareholders

1. The property rights of shareholders are:
a) to receive a portion of profit (dividend) from the company's business activities;
b) to receive a part of the property in the liquidation of the joint stock company;
c) to receive shares free of charge upon an increase of the charter capital with assets of the joint stock company;
d) a priority right to acquire shares issued by the joint stock company, unless otherwise provided by its charter;
e) to bequeath all shares or a portion thereof to individuals and legal entities;
f) to sell and otherwise transfer shares or a portion to the ownership of other citizens or legal entities;
g) a priority right to receive products (services) of the company.
2. Personal non-property rights of shareholders are:
a) to participate in the management of the joint stock company in accordance with the procedure established by the company's charter;
b) the right to participate with the right to vote in meetings of shareholders;
c) to appeal against decisions adopted by the company in judicial proceedings;
d) to receive information on the activities of the company, including the right to review accounting reports and other documents in accordance with the procedure provided by the charter.
3. The charter may establish limitations on the number of shares which one shareholder can own and their total nominal value, and the maximum number of the votes which a shareholder may have.
4. Shareholders may also have other property and personal rights provided by this Law, by other legislation, and by the charter.
5. Each common share of the company shall provide the shareholder-owner with an equal scope of rights.
6. Shareholders are obligated to pay for their shares in accordance with the procedure, size and methods set forth in the foundation documents.
7. No other obligations may be imposed on shareholders without their consent. Provisions of the charter, decisions of a general shareholder meeting, or of a company's management which impose other obligations on shareholders are invalid.

Article 62. Foundation meeting of a joint stock company

1. The foundation meeting is valid if all founders or their representatives are present. The chairman of the meeting shall be elected by a simple majority of votes.
2. The decision on establishing a joint stock company and on ratification of its charter must be unanimous.
3. The foundation meeting shall also decide the following issues which are adopted by three-fourth's votes:
1) election of the company's executive and control bodies, and also adoption of a decision on establishing a board of directors;
2) approval of the valuation of contributions made in-kind or in property rights or rights which have monetary value and which were made by founders as payment for the shares of the company. The foundation meeting may also resolve other issues;
3) approval of the size of the charter capital;
4) determination of benefits offered to founders.

Article 63. Bodies of a joint stock company

1. A joint stock company may have the following bodies:
1) the supreme body of management - the general meeting of shareholders;
2) the supervisory body - the board of directors;
3) executive bodies which may be collective (management, directorate) or consist of one person (director, general director);
4) the control body - the audit committee.
2. The charter of a closed joint stock company with less than 50 shareholders may provide for management of the company without establishing the supervisory body - the board of directors.
Members of management (except the President of the company) and of the audit committee simultaneously may not be members of the company's board of directors.

Article 64. The General meeting of shareholders

1. The following issues are the exclusive jurisdiction of a meeting of shareholders:

1) amendments to the charter;

2) changes (increase or decrease) in the size of a company's charter capital;

3) consolidation and splitting of issued shares and issuance of additional shares;

4) adopting a procedure of issuance of corporate bonds;

5) election of the board of directors, executive bodies of a company which does not have a supervisory body-board of directors, members of the audit committee and (or) an auditor of the company, and also early termination of their powers;

6) approval of annual results of the company's activities, reports of the company's executive bodies and statements of the audit committee;

7) adoption of, amendments and changes to the by-laws of the company;

8) liquidation and reorganization of the company, appointment of a liquidation committee, and ratification of the liquidation balance sheet;

9) adopting a procedure on conversion into shares other securities of the joint stock company;

10) approval of the procedure of distribution of profit and covering of losses.

Decisions on issues in Subparagraphs 4), 5) and 9) of this Paragraph shall be adopted by no less than two-thirds of the votes of shareholders or their representatives present at the meeting. Decisions on issues in Subparagraphs 1), 2), 3), 8) and 10) of this Paragraph shall be adopted by no less than two-thirds of the total number of votes of shareholders.

Decisions on issues in Subparagraphs 4), 6), and 7) of this Paragraph shall be adopted by a simple majority vote of shareholders or their representatives present at a meeting.

The charter of a joint stock company may also set forth that other issues of the company's activities are within the jurisdiction of the general meeting of shareholders.

2. Decisions on issues which this Law or the charter of the company refers to the exclusive jurisdiction of the general meeting of shareholders cannot be delegated to executive bodies of the joint stock company.

3. A joint stock company once a year must hold a general meeting of shareholders regardless of any other meetings. The general meeting of shareholders must be held no later than April 1 after the close of the fiscal year.

The annual meeting of shareholders shall:

1) ratify the report of management, the annual balance sheet, and the income statement;

2) elect members of management and other senior officials of the company;

3) appoint an auditor and determine its fees.

All meetings except the annual one are considered extraordinary. Extraordinary meetings shall be called by the company's management, by the audit committee, or by shareholders owning not less than 20% of shares.

4. Shareholders shall be personally informed about a forthcoming general meeting by registered letter to the address indicated in the registry of shareholders. A notice for an extraordinary meeting must contain an explanation of the issue to be discussed.

Notice shall be sent to all shareholders who have paid all fees for common shares, to the auditor of the company, and to the specialized shareholder registry company.

In addition, a general notice must be done in the press which indicates the time and place of the meeting and the agenda.

Notice must be made not later than twenty days before a general meeting of an open joint stock company, and not later than ten days before a meeting for a closed joint stock company. A general meeting may not adopt decisions on issues which are not included in the agenda if a decision on such an issue is not adopted by unanimous vote at a meeting at which are represented all shareholders of the company. If the period is less or notice about the meeting was not sent, decisions of the meeting will have legal force if they have been adopted unanimously at the meeting. A meeting of shareholders may be held in the place set forth in the company's charter.

5. A general meeting is considered authorized if at the end of registration, in accordance with the charter, shareholders (their representatives) holding more than 60% of votes of the total voting shares of the company have registered.

In case that there is no quorum, management, within one month, must call a general meeting of shareholders which will have authority to adopt decisions if, according to the charter of the company, shareholders who have over 40% of the total voting shares of the company participate in it.

Voting at a general meeting of shareholders is conducted on the principle "one share - one vote," except when the charter provides for voting by cumulative voting. The charter of a closed joint stock company may provide limits on the number of votes which each shareholder may have.

Each shareholder has the right to attend general meetings personally or through a representative with a power of attorney prepared in compliance with the requirements of legislation of the Kyrgyz Republic.

Article 65. Management of a joint stock company

1. Between meetings of shareholders, management conducts all activity of the joint stock company within the limits of its jurisdiction set forth in charter.

The company's executive body has jurisdiction to decide all issues which have not been placed within the exclusive jurisdiction of other management bodies as determined by law or by the charter.

Members of management of a joint stock company are initially appointed by the founders agreement and then are elected by the general meeting of shareholders, unless the members of management are appointed by the board of directors in accordance with the provisions of the charter.

The company's charter shall contain provisions on the procedure of management in case that one or more members of management are absent or for some other reason cannot fulfil the functions delegated to them.

The fees for members of management shall be determined by the board of directors unless otherwise provided by the company's charter.

2. Members of management cannot be members of the audit committee or members of the board of directors. Members of management can be shareholders or employees of the company or who are not shareholders (sic: Members of management do not have to be shareholders). Members of a single person executive body (director or general director) can simultaneously be a member of the board of directors. The jurisdiction of management and procedure for conducting activity on behalf of the company is determined by the charter.

Every year, management must prepare an annual report, an annual balance sheet, and an income statement 20 days before the date of a shareholder meeting and make these documents available to shareholders.

Management must submit an annual report, a balance sheet, and an income statement to the general meeting of shareholders.

The annual report, balance sheet, and income statement must be signed by all members of management and all members of the board of directors. In case that one or more signatures are missing, a corresponding note should be made which explains such absence.

Article 66. The audit committee. Audit of a joint stock company

1. The audit committee shall be elected by the general meeting of shareholders of the company and consist of shareholders for the purpose of control over the financial and business activity of the joint stock company. Upon a demand of the audit committee, officials of the company are obligated to provide company financial and business activity documents.

2. An audit of the financial and business activity of the company shall be performed for the annual results of the activity of company, or also at any time upon the initiative of the audit committee, the general meeting of shareholders, the board of directors (supervisory board) of the company, or at the demand of shareholders holding in total more than 10% of the voting shares.

3. The company may hire a professional auditor who has no property interest in the company or its founders (an independent audit) to audit and verify the accuracy of the financial reports.

An audit of a joint stock company must be held any time at the request of shareholders whose aggregate share of the company's charter capital is ten or more per cent.

The procedure for auditing the activity of a joint stock company is determined by legislation and by the charter of the company.

Article 67. The board of directors

1. Subject to the provisions of Article 63 of this Law, a board of directors must established in a joint stock company. The board of directors exercises control over the activity of management, authorizes agreements with significant economic liability, collateral agreements, and commission agreements, decides issues of acquisition by the joint stock company of its own shares, determines the terms of compensation for offers of the joint stock company, its branches and representative offices, makes decisions on suing officers of the joint stock company for liability, and implements other functions set forth in the charter of the company.

2. Members of the board of directors do not have the right to act on behalf of the joint stock company. The company's charter shall determine the exclusive jurisdiction of the board of directors. Issues referred by the charter to the exclusive jurisdiction of the board of directors cannot be delegated to executive bodies.

3. All members of the board of directors and other persons who are not members of the company's management, but who nevertheless perform management activities in accordance with provisions of the charter, or who are authorized by a decision of the general meeting of shareholders to perform such activities for a defined period of time or in particular

instances, are equal to members of management as far as their rights, obligations, and liabilities to the company and to third parties. In such instances, ratification by the company of such management actions or authorization to implement such activities is not considered management action.

4. The number of members of the board of directors shall be established by the charter of the company or by a decision of a general meeting of shareholders and cannot be less than three.

Article 68. Officers of a joint stock company

1. The officers of a joint stock company are its members of management, of the audit committee, and of the board of directors. The procedure for appointing and dismissing officers, as well as designating employees who may not be appointed as officers, is determined by legislation and by the company's charter.

2. The officers of a company carry out their powers in the interests of the company. If an officer has a financial interest in a transaction entered into by the company, he must:

1) inform management and the board of directors in writing;

2) obtain a written permission respectively from management and the board of directors for performance of such a transaction;

3. For the purposes of this Article, financial interest of an officer means in particular the following:

1) when he is an owner or creditor, or has an employment relationship with the major suppliers of goods and services to the company or when he is a major buyer of goods or recipient of services produced or provided by the company;

2) when he is an owner or creditor or has an employment relationship with a physical or legal entity which either has been fully or partially created from assets of the company or which has the right to receive profit from managing the property of the company.

4. Officers of a company must not allow use of property or property rights of the company for purposes which contradict decisions of the general meeting of shareholders or of the board of directors.

5. Officers of a company must, during the term of their activity, refrain from founding or participating in any form in activity which competes with the company, except in cases when this competition has been directly allowed in writing by the majority of non-interested members of the board of directors or of non-interested shareholders representing more than half of the company's charter capital.

6. In case of involuntary liquidation of a company, guilty officers bear material liability to creditors for obligations of the company if the company's assets are insufficient to pay its obligations.

In accordance with the provisions of this Paragraph, an officer of a company does not bear liability if he proves that he took reasonable measures to prevent such liquidation, even if these measures did not achieve the goal.

7. If an annual report, balance sheet, income statement, or an interim financial report significantly distort the financial position of the company, the officers who have signed the indicated documents bear subsidiary liability to third parties who have suffered financial losses caused by their actions.

Article 69. Bonds and other securities

1. Pursuant to the charter, a company has the right to issue (place) bonds and other securities as set forth in legislation and normative acts on securities in the Kyrgyz Republic.

2. In order to raise additional capital, a joint stock company has the right to issue bonds for a sum which does not exceed the amount of its fully created charter capital, and not before the third year of its existence on the condition of proper confirmation of annual balance sheets for this period.

3. The conditions and procedure of issuing and acquiring bonds, paying income on them, redeeming bonds, and use of assets gained from their sale are determined by legislation.

Article 70. Distribution of profits in a joint stock company

1. Total and net profit of a joint stock company shall be determined in accordance with the procedure set forth in legislation.

2. Net profit of a company (after payment of all taxes) remains at the disposal of the joint stock company and is distributed to shareholders as dividends, transferred to the reserve fund, or used for development of production activities or other purposes by the decision of the general meeting of shareholders.

In accordance with this procedure, any distribution of profit may occur only after adoption or approval by a meeting of shareholders of the annual report, balance sheet, and income statement which confirm that such distribution is authorized.

A company may make a periodical distribution of profits only if directly allowed in the charter.

Any distribution of profits in violation of provisions of this Paragraph must be refunded by shareholders.

3. A dividend is a portion of a company's net profit distributed to shareholders in proportion to the number of shares they own. The final amount of dividend for each common share shall be proposed by management and approved by a general meeting of shareholders. A dividend may not be more than that recommended by management, but it may be lessened by a meeting of shareholders. A joint stock company must pay out as dividends at least 25% of profits retained by the company.

4. A joint stock company is not allowed to declare and pay a dividends if:

1) charter capital has not been fully paid;

2) payment of dividends will decrease the charter capital.

5. The amount of fixed dividend on preferred shares and of interest on bonds shall be determined at the time of their issuance.

6. Dividends shall not be paid on unissued shares or on treasury shares.

7. Dividends may be paid in shares (capitalization of profit), in bonds, and in goods if provided by a company's charter.

8. Payment of dividends shall be by a bank-agent or by the company itself in accordance with legislation.

9. A company shall declare the amount of dividend without consideration of the taxes.

10. A joint stock company or bank-agent shall act as state taxcollecting agent and pay dividends to shareholders minus the sum of corresponding taxes.

11. The procedure for paying dividends shall be fixed at the time of issuance of securities and set forth either on the back side of the share or certificate, or in an authenticated extract from the register of shareholders.

12. Dividends may be paid out in various methods: cash, check, payment order, by postal order, and others.

Shares acquired not fewer than 30 days before the officially declared payment date shall be entitled to dividends.

13. An open joint stock company is obligated to establish a reserve fund for an amount not less than 10% of the company's charter capital. The procedure of formation and use of the reserve fund shall be determined by the charter.

14. The amount of payments to the reserve fund shall be determined by a meeting of shareholders.

15. Pursuant to the company's charter or a decision of a meeting of shareholders, a joint stock company may give its employees the right to purchase a set number of shares on preferential terms (option)

16. A joint stock company may, in accordance with its charter, use a set per cent of its profits, after payment of taxes, for distribution among its employees including in cash or in shares.

Article 71. Reorganization of a joint stock company

1. Reorganization of a joint stock company (merger, consolidation, break-up, spin-off, and transformation) shall be carried out in accordance with the Civil Code of the Kyrgyz Republic and with the specifics established by this Law.

2. In a break-up (spin-off), the organizational-legal form of all legal successors shall be the same as before adoption of the reorganization decision.

3. A decision on reorganization of a company shall be adopted by a general meeting of shareholders, at which the procedure and periods shall be determined or, if by a judicial decision, by a procedure set forth in legislation of the Kyrgyz Republic.

4. If the reorganization decision is made by the anti-monopoly committee, a general meeting of shareholders shall determine the periods and procedure of the reorganization in accordance with legislation and with the decision of the anti-monopoly committee. In such a case, the board of directors of the joint stock company must call an extraordinary general meeting of shareholders.

5. All types of reorganizations of a company (except transformation of organizational-legal form and if a public placement of securities has occurred) shall not be carried out earlier than two months from the date of publication in the press. Creditors have the right to, within three months after the impending reorganization, make a demand for early termination or execution of respective obligations and reimbursement for damages caused to them by the company.

6. In a reorganization of a joint stock company, common shares or preferred shares convertible into common shares in accordance with the prospectus cannot be exchanged for other property or property rights.

Article 72. Merger and consolidation of joint stock companies

1. A merger or consolidation of joint stock companies shall be carried out through combining their assets and consolidating their balance sheets with subsequent exchange of shares of the companies involved in the merger or consolidation for shares of one company (a newly created one in case of merger and the surviving one in a consolidation).

2. A joint stock company created in a merger or continuing its existence after consolidation is the legal successor of all rights and obligations of the companies involved in the merger or consolidation.

3. Merger of companies shall be carried out on the basis of a merger agreement, which defines the procedure and conditions of the merger, as well as the procedure of conversion of shares of each company into shares and (or) other securities of the new company, and a transfer act. A merger agreement is an agreement on creating a new company and the transfer to it of all rights and obligations.

4. In cases provided by anti-monopoly legislation, the draft merger agreement approved by boards of directors of all companies involved in the merger shall be submitted for consideration to the antimonopoly committee.

5. Upon the consent of the anti-monopoly committee on the merger of the particular companies, the draft merger agreement shall be submitted for consideration to the general meetings of shareholders and must be adopted at each meeting by a qualified majority vote of not less than two-thirds of the total number of shareholders' votes of each respective company.

Other issues connected with the activity of the company may be discussed at a joint general meeting of shareholders of the company being founded.

6. Any shareholder of a company who has not voted for the merger and has not given his consent for it in any form provided by the charter of this company has the right to demand that the company created by the merger purchase his shares at the price determined by an independent auditor in the following cases:

1) if, in accordance with the company's charter and with the type of shares he owns, he has not exercised his voting right at the adoption of the merger decision;

2) if, in accordance with the merger agreement, there is provided an exchange of shares he owns for some other property or ownership rights other than for shares of a company being created through the merger;

3) if he owns shares of a subsidiary of a company merged into the newly created company.

7. Shareholders shall not have the abovementioned rights specified in Paragraph 6 of this Article, regardless of presence of the above conditions, if upon making the merger agreement, one of the following conditions was met:

1) his shares were quoted on an organized stock market;

2) the number of registered shareholders holding shares of this class and which were publicly placed at issuance exceeds 1000.

8. Claims arising from the above mentioned right specified in Paragraph 6 of this Article may be filed within three months of the registration date of the company created as a result of the merger.

9. The procedure for satisfying these claims is an integral part of the merger decision and shall be adopted by the same procedure as the merger decision. In case that a company refuses to satisfy these claims, persons who possess the indicated right may appeal the refusal in court.

10. Consolidation of one or more companies to another company shall be carried out in accordance with the procedure established by this Law for merger of companies.

11. Consolidation may also be carried out through increasing the charter capital of the company continuing its existence after the consolidation, with the placement of a corresponding number of additionally issued shares among the shareholders of the joined companies. The conditions which provide for the exchange of additionally issued shares for the shares belonging to the shareholders of the companies being joined shall be adopted by general meetings of shareholders of all companies simultaneously with their decisions on the reorganization. These decisions must be adopted by a qualified majority of not less than two-thirds of the total number of votes of shareholders of each company.

This procedure shall be permitted only if shares of every participating company are quoted on an organized stock market.

12. Termination of the activity of companies involved in a merger is done on the basis of the merger agreement (founders agreement on the formation of a new company) by the registration body in accordance with the procedure set forth in the Law on State Registration of Legal Entities.

13. Notice on the reorganization of the company which continues its existence after consolidation, and on termination of the activity of the consolidated companies shall be sent to the corresponding registration organs with the merger agreement attached or a registered share-issuance prospectus (in accordance with Paragraph 11 of this Article) within 7 days from the date of signing the agreement or from the date of registration of the share-issuance prospectus.

Article 73. Break-up and spin-off of joint stock companies

1. A break-up shall be carried out by creating out of one joint stock company separate companies with the separate balance sheets and assets. In this case, the reorganized company terminates its activity.

2. A new company may be established by way of spinning-off part of the assets of an existing company with corresponding separation of their balance sheets. In this case, the reorganized company shall make the appropriate changes to its the charter capital.

The rights and duties of the reorganized company transfer to the companies which are created as a result of their break-up or spin-off in accordance with the divided balance sheet approved by the general meeting of shareholders in

compliance with the procedure established by this Law and the charter of the company for the approval of the annual balance sheet.

3. The decision adopted by the general meeting of shareholders on a break-up or spin-off must determine the procedure for exchange of shares of the reorganizing company for shares of the newly created companies, as well as the types and par values of the indicated shares used for exchange of each type of prior issued shares of the reorganized company. In this case, rights granted to the owners of the shares of one type (including the right for choice of shares to exchange) must be identical. The rights presented to any shareholder of the reorganizing company as a result of the exchange of his shares for shares of the newly created companies cannot be reduced or limited in comparison to the rights presented to him in the charter of the reorganizing company.

4. If a break-up or spin-off is conducted due to a decision adopted by the anti-monopoly committee, the latter may provide that every shareholder of the reorganizing company must exchange all shares belonging to him for shares of one of the newly created companies (of his choice).

Article 74. Transformation of organizational-legal form of a joint stock company

1. A joint stock company has the right to be transformed only into a limited liability company by a decision of the general meeting of shareholders.

2. In the transformation of organizational-legal form of a company, the size of the shares of the company's charter capital belonging to each shareholder may not be changed.

3. In the transformation of a state enterprise into a joint stock company, its organizational-legal form must be only in the form of an open joint stock company.

A joint stock company established on the base of a state enterprise must comply with the requirements of this Law, legislation on privatization of state enterprises in the Kyrgyz Republic and other provisions established by the State Property Fund until the State Property Fund ceases to be a shareholder of the company.

In the transformation of a state enterprise into an open joint stock company, the State Property Fund must appoint the persons who are obligated to carry out state registration of the company in compliance with the procedure established by the laws of the Kyrgyz Republic "On State Registration of Legal Entities" and "On Securities and Stock Exchanges".

The charter of a joint stock company established in the process of privatization, by a joint decision of the labor team and the authorized state body, must determine the procedure of issuance of shares for the total value of assets of the enterprise. The net proceeds, after covering debts of the state enterprise, from the sale of shares, shall be sent to the appropriate budget.

The joint stock company established by transformation of a state enterprise shall be its successor.

Article 75. Liquidation of joint stock company

1. A joint stock company may be liquidated:

1) by a decision adopted by a general meeting of shareholders;

2) by a court decision in cases provided by legislative;

3) upon termination of the period for which it was established or upon achievement of the goal established at its creation.

2. In a voluntary liquidation of a joint stock company, the general meeting of shareholders shall appoint a liquidation committee to which all managment powers are transferred.

3. In a liquidation based on a court decision, including when a company is declared bankrupt, the company shall be liquidated in accordance with the procedure established by the Law of the Kyrgyz Republic "On Bankruptcy" and other legislative acts.

4. The liquidation committee (court or person designated by the court) shall publish a public notice on the forthcoming liquidation of the joint stock company and on the notice period for creditors to declare their claims.

Other creditors of a company shall be notified personally.

5. If a decision to liquidate a company has been adopted before it has issued shares, liquidation may be carried out without public notice. In this case, the founders shall be paid back the contributions they have actually made minus any expenses connected with creating the company.

6. Notice on liquidation of a company shall be sent to the registration agency within a week from the date of approval by the general meeting of shareholders (in a voluntary liquidation) or if by a court, upon the liquidation committee's report and a liquidation balance sheet.

7. A joint stock company is considered liquidated from the moment of entry of a corresponding record into the state register.

Article 76. Liquidation committee

1. The liquidation committee shall evaluate the assets of a joint stock company, determine its obligations and settle them, take measures to pay debts of the company to third parties, and also to its shareholders, compose a liquidation balance sheet and submit it to a general meeting of shareholders for approval.

2. The liquidation committee shall act on behalf of a joint stock company and exercise the powers provided by the company's charter.

3. A liquidation committee has the right to conduct new transactions necessary for termination of the company's current activities and for settlements with creditors.

4. The liquidation committee bears material liability for damages it causes to the joint stock company, its shareholders and to third parties in accordance with the civil legislation of the Kyrgyz Republic.

Article 77. Satisfaction of creditors' claims in the liquidation of a joint stock company

1. Satisfaction of the claims of creditors in a liquidation of a joint stock company is done in the order established by Article 99 of the Civil Code of the Kyrgyz Republic.

2. Obligations of a liquidating joint stock company to its bond holders shall be satisfied in the same order as obligations to other creditors of the fifth priority irrespective of whether bond holders have given notice of their claims.

3. Assets remaining in a company's possession after settlement with employees, the social insurance fund, and fulfilment of obligations to the budget and to other creditors, shall be distributed to the shareholders as determined by this Law and the charter of the company.

4. If the remaining assets are sufficient to compensate each shareholder for the par value of held shares, they are distributed to shareholders in proportion to the par value of the shares held.

If the remaining assets are insufficient, the owners of preferred shares have a preemptive right to recover their investments through redemption of the par value of the shares they own. Any remaining assets shall then be distributed to the holders of commom shares.

If the remaining assets are not sufficient to pay the owners of preferred shares, they shall be distributed only among this category of persons in proportion to the par value of the shares they own.

Article 78. Subsidiaries, branches and representative offices

1. Joint stock companies have the right to establish subsidiary stock companies, branches and representative offices on the territory of the Kyrgyz Republic and abroad in compliance with the requirements of this Law, other legislation and also in compliance with international treaties of the Kyrgyz Republic.

2. A company shall be recognized as a subsidiary, if it acquires 50% plus one share of the total number of shares of the parent (main) joint stock company (sic: should read: a company is a subsidiary if 50% plus one of its shares is acquired by the parent company). The subsidiary is not be liable for the debts of the parent (main) company.

3. A subsidiary stock company shall act as an independent business organization and its relationships with the parent (main) company shall be contained in its charter and legislation of the Kyrgyz Republic.

4. A parent (main) company which has the right to give mandatory instructions to its subsidiary is jointly and severally liable along with the subsidiary on the transactions made by the latter in fulfilment of the instructions of the parent (main) joint stock company.

5. Shareholders of the subsidiary have the right to claim indemnification from the parent (main) company for losses caused by its fault to the subsidiary.

6. Branches and representative offices are not legal entities, rely on the parent (main) company's property for their fixed and current assets, act on the basis of resolutions approved by it, and carry out their activities on behalf of the company which created them. The parent (main) company is liable for the activities of a branch or representative office.

Directors of branches or representative offices act on the basis of a power of attorney issued by the parent (main) joint stock company.

Article 79. Conversion of securities into shares

The terms and procedure of conversion of securities into shares of a joint stock company shall be determined by a decision of a general meeting shareholders on issuance of such securities in compliance with legislation and normative acts.

Article 80. Entry into force

1. This Law shall enter into force on January 1, 1997.

2. The Law of the Republic of Kyrgyzstan "On joint stock companies of the Kyrgyz Republic" of June 26, 1991, # 513-XII, with amendments of December 17, 1992, # 1084-XII, January 11, 1994, # 1367-XII, May 28, 1994, # 1563-XII, November 21 and December 28, 1995, # 38-I shall be repealed as of the moment of entry into force of this Law.

3. The Government of the Kyrgyz Republic shall:

- bring its decisions into compliance with this Law;
- adopt all necessary normative acts on issues related to this Law which are in the jurisdiction of the Government of the Kyrgyz Republic.

President of the Kyrgyz Republic A.Akaev

Adopted by the Legislative Assembly
of the Jogorku Kenesh of the Kyrgyz Republic 5 June, 1996