

# **Manual for Implementation of Agricultural Land Sharing and Farm Restructuring in Ukraine**

## **LEGAL ANNEX**

### **Including Model Constituent and Other Legal Documents**

Second Edition, Revised and Supplemented  
January 2000

Ukraine Agricultural Land Share Project  
Kyiv, Ukraine  
Contract EPE-0014-1-00-5064-00, Task Order #4  
United States Agency for International Development  
Washington, D.C.  
in cooperation with the Ministry for Agrarian Policy,  
State Land Resources Committee  
and the Government of Ukraine

#### Contractor

RONCO Consulting Corporation  
2301 M Street, N.Y., Suite 400  
Washington, D.C. 20037 USA



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## PREFACE

This publication is the second edition of the Legal Annex to the How-To Manual for Implementation of Agricultural Land Sharing and Farm Restructuring in Ukraine (How-To Manual). The first edition of the Legal Annex was issued in April 1997, shortly after the publication of the first edition of the How-To Manual.

The objective of the How-to Manual and the Legal Annex is to facilitate the implementation of the Agricultural Land Share Project (ALSP).

The ALSP is funded by the United States Agency for International Development (USAID) under an agreement between the Governments of Ukraine and the United States of America and is implemented by the Ronco Consulting Corporation. The ALSP is facilitated by the national and local governmental authorities of Ukraine.

Currently, the ALSP is being implemented in 17 Ukrainian oblasts. Over 600 Collective Agricultural Enterprises (CAEs) have been, or are being, restructured with the help of ALSP specialists working in these oblasts.

Since its inception, the main objective of the ALSP has been to assist CAEs in the process of their restructuring into market-oriented legal entities on the basis of private land and property ownership.

As a result of its involvement in CAE restructuring, ALSP participants have acquired broad experience and unique insight as to which legal entities operate most efficiently in a market environment. Of the market-oriented legal structures created with assistance from the ALSP, the most successful entities have proven to be Private Family Farms, Private Agricultural Enterprises, and Limited Liability Companies with limited numbers of founders.

These legal entities assume the form of private lease enterprises by leasing land and property shares from CAE members. This arrangement is beneficial in some situations because it keeps restructured CAE land and property from being fragmented. It is for this reason that the President of Ukraine, Leonid Kuchma, stated at the Ukrainian National Congress of Farmers held 9 February 1999 that encouraging and facilitating the formation of private lease enterprises is a significant aspect of Ukrainian agricultural reform.

The second edition of the Legal Annex has undergone major revision due to the revised approach to CAE restructuring and the passage of new legislation; primarily, the Constitution of Ukraine. For example, documents on the creation of Agricultural Closed Joint Stock Companies were not included in the second edition. In their place, the Legal Annex provides examples of legal documents on the creation of Private Family Farms, Agricultural Private Enterprises, and Agricultural Cooperatives.

The main focus of this edition of the Legal Annex is the State registration of market-oriented legal entities created as the result of agricultural enterprise restructuring. For this reason, the Legal Annex provides a large sampling of such legal documents as Founders' Agreements, Charters and other documents required for the State registration process. In addition, the Legal Annex contains model documents for the transfer of CAE land and property into private ownership.

Another important issue connected with CAE restructuring is the disposal of Property and Land Share Certificates by their holders. Therefore, the Legal Annex has included model contracts which such Certificate holders may enter into for this purpose. Contracts for the disposal of land parcels and property transferred into common ownership by withdrawing CAE members have also been provided.

Finally, the Legal Annex is supplemented with documents governing labor relations in private lease enterprises, such as Collective Agreements, Labor Contracts, as well as other agreements. The model legal documents presented in this edition have been drafted according to Ukrainian legislation and reflect the practical experience gained by the ALSP in restructuring CAEs in 17 Ukrainian oblasts.

Some of the documents presented here meet the form approved by government authorities (e.g., the Land Share Certificate) and to assure legal effectiveness should not be modified. Other model documents in this edition can be modified, if necessary, depending on the character of the restructured CAEs and the preferences of its members (expressed in Charters, contractual agreements, and other documents).

In order to provide a more thorough understanding of issues related to the restructuring of agricultural enterprises, the Legal Annex includes a section listing Ukrainian legislation having the most significant effect on agricultural enterprise land, property and business operations. All materials in the Legal Annex have been prepared in compliance with Ukrainian legislation effective as of 1 January 2000.

The Legal Annex is designed to provide guidance for farm managers, government officials, farm specialists and others involved in the process of implementing legal and market reforms in agricultural and land relations.

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# General Documents

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APPROVED  
by the General Assembly of the  
“ \_\_\_\_\_ ”  
(name of CAE)

Collective Agricultural Enterprise's (CAE) Members  
or Authorized Representatives

Minutes # \_\_\_\_\_ of \_\_\_\_\_ “ ”, 200\_.

## REGULATIONS

### On the Commission for CAE Restructuring

1. These Regulations have been developed and approved pursuant to the Law of Ukraine “*On Collective Agricultural Enterprise*” and to the Decree # 720 of the President of Ukraine “*On the Procedure for Sharing Land Transferred into Common Ownership of Agricultural Enterprises and Organizations*” of 8 August, 1995.
2. The members of the Commission for CAE Restructuring (hereinafter the Commission), their number and the CAE restructuring schedule are elected/approved by the General Assembly of the CAE's Members or Authorized Representatives (hereinafter the General Assembly) according to the procedures provided by the CAE Charter.
3. The Commission shall include the sub-commission for land sharing as a part.
4. The Commission is elected/approved for the land and property sharing and CAE restructuring preparation period and terminates its activities according to the resolution of the General Assembly.
5. The Commission's activity conforms to all applicable laws and regulations of Ukraine and the Commission shall report only to the General Assembly.
6. The Commission shall:
  - 6.1. Develop a draft package of statutory documents to change the enterprise's organizational form (convert a CAE into a Limited Liability Company, a Private Agricultural Enterprise, or another type of legal entity or amend and supplement the existing Charter and Founders' Agreement); submit draft statutory documents to the General Assembly; submit such draft documents for approval by the General Assembly and State administration registration; and carry out any other tasks connected with the formation of a new legal entity.
  - 6.2. Consider the creation of the optimum intra-enterprise Unit structure, with each Unit having separate accounting records; the Commission will also define the Units' status, orientation, specialization and production output, cooperation plans, organization of, and remuneration for, labor, and other issues. The criteria to be considered shall include: an increase in operating efficiency, production quality and quantity improvements subject to market conditions and improvements of CAE Member standard of living.
  - 6.3. Verify list of entitled individuals. The List of individuals eligible to receive property shares is based on the list of CAE members as of \_\_\_\_\_ 19\_\_\_\_.  
(date)
  - 6.4. Verify the monetary value of the Property Share Fund and individual shares. Calcula-

**1.1.**

- tion of individual property shares take into account time records and salary since 19\_\_.
- 6.5. Develop proposals for the procedure of share allocation (for both property and land shares) among individuals.
  - 6.6. Develop CAE debt settlement proposals.
  7. A Commission resolution is considered adopted when voted on by not less than two-thirds of the Commission's members. The Minutes of the Commission's meetings shall be prepared by one of its members and signed by that person and the Chairman.
  8. Any Commission member who does not agree with the resolution adopted has a right to submit his written objections to be included in the Minutes.
  9. The Commission's resolutions shall be submitted for consideration by the General Assembly and take effect only if approved by them.
  10. The Commission may invite non-voting advisors and specialists from State agricultural, land and finance institutions, universities, colleges and institutes, who shall have the right to an advisory vote in Commission meetings, and to develop CAE restructuring projects.
  11. The Commission shall have the right to assign a position to any other enterprise workers, the Commission's assignments being of a compulsory character.
  12. In the event of a Commission member's retirement, death or illness, or inability to fulfill his duties for any other reason, the General Assembly shall elect a new Commission member for the remaining period of office.

**RECOMMENDED STAFF MEMBERS OF THE COMMISSION  
FOR LAND/PROPERTY SHARING AND CAE RESTRUCTURING**

| POSITION  | NUMBER OF PERSONS |
|---|-------------------|
| CAE Chairman (Director)   | 1                 |
| <b>STAFF MEMBERS</b>  |                   |
| Chief Specialists   | 5-6               |
| Other workers (leaders, team leaders, workers) who are not pensioners         | 3-4               |
| Non-working pensioners (who are not Board of Directors members)               | 5-6               |
| Trade Union Committee Chairman  | 1                 |
| Land Survey Engineer or any other Village Rada representative (per agreement) | 1                 |
| <b>TOTAL:</b>   | <b>16-19</b>      |

Approved  
By the General Assembly  
(meeting of authorized representatives)  
of the Collective Agricultural Enterprise

" \_\_\_\_\_ "

" \_\_\_\_\_ "

(date)

## REGULATION

### On Sharing and Allocation of Property in the Process of Restructuring of Collective Agricultural Enterprise

" \_\_\_\_\_ "

Ukraine

Oblast \_\_\_\_\_

Rayon \_\_\_\_\_

## 1. GENERAL PROVISIONS

1.1. The Regulation on Sharing and Allocation of Property in the Process of Restructuring of Collective Agricultural Enterprise " \_\_\_\_\_ " (hereinafter the Regulation) was developed in accordance with the Laws of Ukraine On Ownership, On Collective Agricultural Enterprise and the Charter of the Collective Agricultural Enterprise. The Regulation is an internal regulatory document regulating the property relations within the enterprise.

1.2. The Regulation determines the mechanism of creation, allocation and utilization of the share fund on the enterprise, the procedure of identification of each enterprise member's share in the share fund and the procedure for obtaining the share in case of enterprise restructuring.

1.3. Determining size of the share in the property and distribution thereof shall be performed by the Restructuring Commission created by the General Assembly (meeting of authorized representatives) of the enterprise (hereinafter the General Assembly).

1.4. Share allocation shall be started with a resolution approved by the General Assembly. The General Assembly shall approve this Regulation, change and amend it and consider other issues related to share allocation and allocation of property in kind.

1.5. Each member of the Collective Agricultural Enterprise has the right to make proposals in respect to the size of the share he/she is entitled to and replacement thereof, by appealing to the Restructuring Commission.

## 2. TERMS OF REFERENCE OF THE RESTRUCTURING COMMISSION CONCERNING RESTRUCTURING ISSUES

2.1. The Restructuring Commission shall:

- compile a list of individuals entitled to property shares;
- make public the list of individuals entitled to property shares;

- establish a deadline for submission on applications to be included into the list of individuals who claim their rights to a property share but who were not included into the list;
- consider applications of those who were not included into the list of persons entitled to property shares and, in case of approval, amend the list accordingly;
- compile the final list of persons entitled to property shares;
- calculate the property share and compile the property share calculation protocol;
- create lists of property items;
- develop a plan for the share fund distribution and the structure thereof with annexes as required;
- establish the procedure of property allocation in kind (from the property shares) to members of the Collective Agricultural Enterprise who terminate their membership;
- based on membership termination applications submitted by members of the Collective Agricultural Enterprise, form the corresponding groups of shareholders to be provided with property shares in kind; form the list of objects to be allocated as property shares and discuss it with representatives of groups.

2.2. The Commission shall be held responsible to the General Assembly for:

- validity of inclusion of individuals entitled to property shares into the list;
- value of property to be shared;
- establishment of the property share size for each member of the enterprise;
- reliability of property lists.

### **3. COMPILATION OF THE LIST OF INDIVIDUALS ENTITLED TO A PROPERTY SHARE**

3.1. The list of individuals entitled to a property share shall be compiled for the Restructuring Commission as of the date the General Assembly adopts a resolution on the property sharing.

3.2. The list of individuals entitled to a property share shall include:

- pensioners and the disabled whose memberships have not been terminated;
- individuals called up for full time military (or alternative) service;
- reserve officers and men called up for re-training;
- individuals studying military and technical professions full time at training entities of the Defense support Society of Ukraine or in corresponding vocational schools;
- individuals recommended by the enterprise for studies at vocational schools, colleges and higher educational establishments;
- individuals attending full time qualification improvement courses;
- individuals elected to local government bodies and state power bodies or trade union committees (if this is specified in the statute);
- women on pregnancy leave;
- individuals on maternity leave;
- individuals who became disabled due to injuries or any other damage incurred while working at this enterprise;
- individuals who are temporarily disabled due to a disease;
- heirs of the deceased who had been entitled to a property share.

3.3. In case an enterprise member terminates his/her membership after the resolution on the property sharing has been taken but before the list of entitled individuals has been com-

piled, this member of his/her heirs shall be included into the list of individuals entitled to a property share.

3.4. In order to be included into the list, the heirs to a deceased shall provide the Restructuring Commission with an application on transferring the property share of the deceased to their name.

3.5. Having received all the applications from heirs and provided there are no disputes among them, the Restructuring Commission shall amend the sharing records in respect of individuals who inherited the property share. Changes in the size of the heirs' property share shall be introduced upon presentation of certificates proving their rights to inheritance. This certificate shall be issued to the state notary in the name of all individuals or separately to each of them. The property share does not need to be incorporated into the certificate. Certificates issued in respect of other property shall be the basis for determination of each heir's part in the property share.

3.6. The Restructuring Commission shall not take any action in respect of identification of heirs earlier than six months after the death of the deceased.

3.7. In case of a dispute among the heirs, the Restructuring Commission shall make no changes in the sharing records until the dispute is resolved. In order to settle the dispute the heirs shall obtain from the state notary their certificates proving their right to inheritance where their right to the property share is included. To enable the individuals to receive certificates, the Collective Agricultural Enterprise shall issue each of them a document stating the individual's full name and the size of the property share. After the certificates proving the right to inheritance (where the property share is included) have been received, the Restructuring Commission shall include the heirs into the list instead of the deceased.

3.8. A single heir shall receive the right to the whole property share, and in case there are several heirs, the property share shall be divided in proportion to their share in the inheritance.

In case the heirs also have property shares the value thereof shall be increased by the value of the inherited property share.

3.9. The list of individuals entitled to property shares shall include the following data:

- 1) Sequential number
- 2) Full name
- 3) Place of residence
- 4) Category (employee of the enterprise, pensioner, etc.)

#### 4. STOCK TAKING

4.1. The Board of the Collective Agricultural Enterprise or the General Assembly shall take a decision to perform stock taking and formation of the stock taking commission and approve the list of members thereof. The members of the commission there shall include the enterprise manager, the chief accountant of the enterprise and other individuals. The chairperson of the stock taking commission shall be appointed by the Board of the Collective Agricultural Enterprise.

4.2. The Board of the Collective Agricultural Enterprise shall take a decision on creation of stock taking working groups including engineers, technologists, technicians, economists, accountants and other experienced employees who know the object of the stock taking, prices

and have experience in bookkeeping.

4.3. *The Chairperson of the Board* shall be responsible for the stock taking organization; he shall create proper conditions for it to be performed expeditiously.

4.4. The chairperson and members of the stock taking commission (stock taking working groups) shall be responsible, according to the existing procedure, for deliberate inclusion into the count sheets the erroneous data on the type, sort, brand, amount, value, technical condition etc., of the stock to be counted. They shall also be responsible for timely stock counts and correct filling out of appropriate documents.

4.5. The stock taking commission shall:

- organize the stock taking and instruct the members of stock taking working groups;
- on assignment of the chairperson of the commission, organize the new stock taking in case there are revealed material violations of stock taking rules and in other cases;
- check the correctness of comparison registers;
- consider written explanations of individuals who are suspected of embezzlement or damage of property, or other violations, and reflect in the protocol its recommendations in respect to compensation for revealed embezzlement and losses from the property damage and improper mixture of grades of goods. The protocol shall include the information on reasons and individuals suspected of the embezzlement, losses and undue surpluses, and on the measures taken.

4.6. The stock taking working groups shall:

- perform the stock count of the property, inventory, cash, securities and other cash equivalents and work in progress in places of custody and production;
- be responsible for timeliness of the stock count and compliance with stock taking procedures, for completeness and accuracy of the data on actual balances of goods, inventory, cash and cash equivalents, securities and debts included into count sheets;
- participate, together with representatives of the enterprise's accounting function, in analysis of the stock count results, and develop proposals on compensation of losses and elimination of surpluses due to improper mixture of grades of goods, as well as write off of normal natural losses;
- produce a protocol, with a description of the storage facilities condition, stock taking results and conclusions therefrom.

4.7. The stock taking shall be performed as of the first day of the month following the decision on the Collective Agricultural Enterprise restructuring.

4.8. Count of the property, funds and financial liabilities of the enterprise shall be completed within 15 calendar days. In case stock taking requires more time, the Board may prolong its term upon a written proposal of the chairperson of the stock taking commission, but not more than for 15 days.

## 5. VALUATION OF PROPERTY

5.1. Valuation of property shall be performed by the property valuation commission created by the General Assembly of the Collective Agricultural Enterprise. In case the General Assembly decides to involve a certified valueor to perform the property valuation, no property valuation commission shall be created.

5.2. The property valuation commission shall include the manager of the enterprise (chairperson of the commission), chief accountant and other leading specialists of the enterprise.

5.3. The property valuation commission, together with the accounting function staff, shall perform valuation of the company assets within two weeks after the decision on its creation.

5.4. The property valuation commission shall operate in accordance with Recommendations on procedures for accounting of transactions related to restructuring of collective agricultural enterprises.

## 6. ESTABLISHMENT OF THE SHARE FUND OF THE ENTERPRISE

6.1. The share fund of the enterprise shall be established after valuation of property, recording the results of the stock taking and closure of corresponding accounts in accounting registers. Accounts shall be closed in accordance with requirements of the *Standard Regulation on Planning, Recording and Calculation of the Product (Works, Services) Costs of Agricultural Enterprises*, approved by resolution of the Cabinet of Ministers of Ukraine of 23 April 1996, No 452, and other regulatory documents. The share fund shall be established using the following formula:

$$\text{Пф} = \text{Оз} + \text{На} + \text{Вк} + \text{Ун} + \text{Дфв} + \text{Зз} + \text{Фа} - \text{Кр} - \text{Рмв} - \text{Впз} - \text{Рб} - \text{Рм} - \text{Сс} - \text{Нп},$$

where:

- Пф - share property fund of members of the Collective Agricultural Enterprise
- Оз - net book value of fixed production assets
- На - net book value of intangible assets
- Вк - replacement value of unexpired capital investments
- Ун - replacement value of uninstalled equipment
- Дфв - long term financial investments
- Зз - expenses and inventory included into the balance sheet totals
- Фа - financial assets (other non-current assets, funds, receivables and other assets)
- Кр - accounts payable (long term liabilities, payables and other liabilities)
- Рмв - accruals of future payments and expenses
- Впз - deferred taxation
- Рб - rescheduled debt
- Рм - payments for property
- Сс - net book value of social assets
- Нп - net book value of assets not subject to sharing.

6.2. For the purpose of the share fund calculation the Restructuring Commission shall compile a *Protocol of the Share Fund Calculation* (Table No 1). This Protocol shall be valid within two months following its approval by the General Assembly. Annexes to the *Protocol of the Share Fund Calculation* shall include the following lists of property:

- property (collateral) securing the debts;
- property under finance lease;
- pledged property;
- social assets;
- assets not subject to sharing;
- property comprising the share fund.

Each list of property shall include the item's name, stock number, location, historical cost and

net book value, and depreciation.

6.3. When compiling the list of property securing the debts, the Commission shall include the following categories of property into this list, as a priority: \_\_\_\_\_

(state categories of property to be included into the list of property securing the debts)

6.4. The Restructuring Commission shall compile a separate list of property under finance lease. The property under finance lease shall not be transferred to members of the Collective Agricultural Enterprise as a part of their property shares. The Collective Agricultural Enterprise or its legal successor, having settled all liabilities in respect of lease payments and having acquired the ownership right to the finance lease object, shall provide the former members of the enterprise with property in the amount of lease payments paid by the Collective Agricultural Enterprise.

6.5. The Restructuring Commission shall compile a list of property pledged as a security (collateral) of the enterprise's liabilities. The amount of the property value over the value of the debt liabilities shall be reflected in the reserve fund. The Collective Agricultural Enterprise or its legal successor, having settled all liabilities in respect of its collateralized debt, shall provide the former members of the enterprise with property in the amount of the value of pledged property over the value of the settled debts.

6.6. The Restructuring Commission shall compile a list of social assets, including, but not limited to:

- housing facilities (except for hostels);
- kindergartens, schools and other educational institutions, summer camps for children, culture and sport facilities, houses for the disabled and aged people, medical institutions and utilities;
- secondary and vocational schools and schools of music and arts for children;
- electricity, heat and water supply networks, sewage systems as well as engineering service buildings for maintenance of the housing facilities and social sphere.

6.7. The Restructuring Commission shall compile a list of assets not subject to sharing. These include, first of all, the property that cannot be separated in kind and included into the property share, such as: public roads, capital investments into the land improvement (irrigation, draining and other similar works), hydrotechnical facilities, woodland belts and objects of common use. These assets shall be included into a separate list and transferred to a new legal entity.

## 7. CALCULATION OF INDIVIDUAL PROPERTY SHARES

7.1. In the process of the individual property shares calculation there shall be considered the length of work and labor remuneration for the period from the year \_\_\_\_\_.

7.2. The Restructuring Commission shall be responsible for individual property share calculation.

7.3. Information on the remuneration of labor of the enterprise members shall be derived from the Accounting Register of the Payroll and the Length of Service of the Collective Farm Members. This Register is kept at the human resource department's archives.

7.4. Calculation of individual labor contributions shall consist of the following stages:

- Establishment of ratios for recalculation of labor days into monetary equivalent.

- Establishment of ratios for adjustment of the labor remuneration for the period of 1966 - 1990.
- Establishment of ratios for adjustment of the labor remuneration for the period of 1991 - 1998.
- Establishment of individual labor contributions for the whole period of individual property shares calculation.

7.5. Individual property shares shall be calculated in accordance with the methodology provided in Recommendations on sharing of property on non-state owned agricultural enterprises in the process of their restructuring and allocating the property in kind to their members as a part of their property shares.

7.6. Following the property sharing, the Enterprise shall issue each member of the Collective Agricultural Enterprise a certificate confirming the results of the sharing. The certificate shall state the date of property sharing, size of the individual share in monetary terms and a percentage of the total property of the enterprise. Property certificates shall be signed by the manager and chief accountant of the Collective Agricultural Enterprise.

## **8. COMPILATION OF THE ALLOCATION AND THE SHARE FUND STRUCTURE PLAN**

8.1. The Restructuring Commission shall develop the Allocation and the Share Fund Structure Plan, subject to approval by the General Assembly (Table No 2). The Plan shall define the share fund property structure in accordance with which the property shall be allocated in kind.

8.2. Based on the stock taking results and accounting records, the following property lists shall be compiled after the share fund calculation (they shall be annexes to the Allocation and the Share Fund Structure Plan):

- Property personified among the members of the Collective Agricultural Enterprise who are not founders of the new enterprise;
- Property of founders of the new enterprise;
- Property of the share fund reserve (property that is not distributed among the members of the Collective Agricultural Enterprise for the time being);
- Property for the amount of property shares of the deceased.

8.3. The list of property personified among the members of the Collective Agricultural Enterprise shall include the property to be allocated to the members who terminate their membership.

8.4. The Restructuring Commission shall allocate from the share property list the property of founders of the new enterprise. This property will be used to create the Statutory Fund and register the new legal entity.

8.5. The Restructuring Commission shall compile the list of property of the share fund reserve, including the property that is not distributed among the members of the Collective Agricultural Enterprise for the time being (reserve fund). The purpose of the reserve fund is as follows:

- to secure the right to the property share for individuals who could have been omitted, by error, from the list of individuals entitled to the property share;
- to provide property shares to entitled individuals who left the enterprise and cannot exer-

cise their right in the process of the enterprise restructuring;

- to determine the legal position of pledged property. A portion of the pledged property value that exceeds the value of the collateralized debt should be included into the share fund and recorded in the reserve fund.

8.6. The legal successor of the Collective Agricultural Enterprise shall transfer the property from the reserve fund to the individuals entitled to a property share based on:

- applications of individuals who have not exercised their right in the process of restructuring or have been omitted illegally from the list of individuals entitled to the property share, and a resolution of the successor enterprise's managing body;
- applications from former members of the enterprise in respect to obtaining the property that had been pledged, and a resolution of the successor enterprise's managing body (after the collateralized liabilities have been settled).

8.7. The Restructuring Commission shall compile a list of property for the amount of property shares of the deceased. The property for the amount of property shares of the deceased shall be accounted in the balance sheet of the Collective Agricultural Enterprise or its legal successor until transferred to heirs.

## 9. ALLOCATION OF PROPERTY IN KIND

9.1. Owners of property shares shall be entitled to receive them in kind, in cash or in securities. The right to receive the property share arises only upon termination of the membership in the enterprise. In order to receive the property share the owner thereof shall submit an application on termination of his/her membership and obtaining the property share in kind. The property share can be received both individually and jointly with a group of individuals terminating their membership (as joint share property).

9.2. A member of the enterprise shall not have the right to sell, exchange, present or handle differently his/her property share prior to termination of his/her membership.

9.3. The property share shall not be the subject of a lease agreement.

9.4. In case of death of the property share owner his/her heirs shall receive the right to this share in accordance with the norms of the civil law. If the heir is a member of the same Collective Agricultural Enterprise where the deceased had been a member, the value of the inherited share may be added to the value of his/her own share. In case the heir is not a member of this enterprise he/she shall be entitled (upon receipt of the certificate proving the right to the inheritance) to demand that the enterprise allocate the property share in kind, in cash or in securities.

9.5. Allocation of property in kind shall be performed according to the following methodologies, depending on the amount of individuals terminating their membership.

9.5.1. Allocation of property when one or several individuals terminate their membership (without creation of a legal entity).

The term of shares allocation shall not exceed 12 months after the member has submitted an application on termination of his/her membership and obtaining the property share.

The Restructuring Commission shall compile a list of property to be included into the

property share in accordance with the share property structure, with deviations not exceeding \_\_\_\_\_ per cent for each group of assets. The final size of the share fund and the property share shall be determined when the application is submitted.

9.5.2. Allocation of property when a group of individuals terminate their membership.

The Restructuring Commission shall compile a list of property to be issued to applicants as their joint share property, following the share property structure, with deviations not exceeding \_\_\_\_\_ per cent for each group of assets. The final size of the share fund and property shares shall be determined when the application is submitted.

Employees who want to create a co-operative or a business society based on the structural unit of the Collective Agricultural Enterprise where they work shall have the right to allocate their property shares from the property of that structural unit.

9.5.3. Allocation of property as an integral property complex in case the majority of members of the Collective Agricultural Enterprise terminate their membership.

The members of the Collective Agricultural Enterprise shall have the right to receive fixed and current assets for the total amount of their property shares and sign an agreement on joint ownership, utilization and administration of the property. The agreement shall specify an authorized individual who will represent co-owners' interests in receipt and management of the property. Transfer of title for the integral property complex takes place when the property transfer protocol is signed by the manager of the Collective Agricultural Enterprise and the authorized individual. A list of property owned by the individuals according to the joint share ownership principles shall be included into the agreement.

9.5.4. Allocation of property when several groups of individuals terminate their membership.

Allocation of property to groups of the enterprise members or to individuals who want to receive their property individually shall be performed according to the agreements of the interested parties or through an auction.

The Restructuring Commission shall determine the property allocation criteria and other means of reaching the agreement.

An auction shall take place in case the parties fail to reach an agreement. The Restructuring Commission shall determine the auction procedures.

9.6. The procedure for allocation of the property in kind shall consist of the following stages:

- 1) individuals submit their application for termination of their membership in the Collective Agricultural Enterprise and receipt of property shares in kind;
- 2) members of the enterprise who terminate their membership form groups for receipt of property in kind for future joint utilization thereof;
- 3) the Restructuring Commission calculates the total value of property shares for each group;
- 4) the Restructuring Commission makes a preliminary list of property to be transferred to each group;
- 5) the list of property items to be issued as property shares is agreed upon with representatives of each group;

- 6) the General Assembly takes a decision on satisfaction of applications on the membership termination and approval of the list of property to be issued as property shares;
- 7) the property is transferred against an acceptance protocol (in duplicate). One copy of the protocol is submitted to the accounting department of the Collective Agricultural Enterprise, it shall be the basis for accounting of transactions related to allocation of property to individuals. The second copy is given to the new owners of the property together with stock cards or stock descriptions of fixed assets and appropriate documents for current assets. After the acceptance protocol is signed the title to the property is transferred to individuals who received their property shares in kind.

## 10. ALLOCATION OF PROPERTY IN CASE OF REORGANIZATION OF THE COLLECTIVE AGRICULTURAL ENTERPRISE

10.1. When the Collective Agricultural Enterprise is reorganized, a member thereof shall have the right to receive his/her property share in kind in case he/she is not a founder of any new enterprise.

10.2. When the Collective Agricultural Enterprise is reorganized through transformation, members thereof who do not become founders of the new enterprise shall have the following rights:

- to receive property on an individual basis;
- to receive property as a member of a group (for joint ownership) and sign an agreement on joint ownership, utilization and administration of the property. This agreement is signed by members of the Collective Agricultural Enterprise who, upon receipt of their property, want to transfer it to the legal successor on the basis of civil agreements (lease, sale and purchase, trust etc.).

The list of property shall be compiled by the Restructuring Commission and approved by the General Assembly.

In case of disputes the Restructuring Commission shall apply methodologies described in Section 9 of this Regulation.

10.3. In case a new enterprise is created on the basis of the Collective Agricultural Enterprise, the General Assembly of the Collective Agricultural Enterprise shall approve the list of property transferred to founders of the new enterprise from the property complex of the Collective Agricultural Enterprise according to property shares. This property shall be transferred to the new enterprise according to the allocation balance sheet. The new entity shall also receive a portion of the payables of the Collective Agricultural Enterprise, in proportion to the share of the property received in the total assets of the Collective Agricultural Enterprise, and also the property securing these payables.

10.4. In case the Collective Agricultural Enterprise is divided into two or more enterprises, general provisions of the distribution procedure (described in Section 9 of this Regulation) shall be applied. The General Assembly shall approve the list of property to be provided to each enterprise in proportion to the number of its participants (members). This property shall be transferred to the new enterprises according to the allocation balance sheet. The new entities shall also receive a portion of the payables of the Collective Agricultural Enterprise, in proportion to the share of the property received in the total assets of the Collective Agricultural Enterprise, and also the property securing these payables.

**Table 1 : Statement of CAE Property Valuation and Determination of Property Share**

| No.    | Items   | Property value |
|--------|---|----------------|
| 1      | Initial value of fixed assets, total  |                |
| 2      | NBV of fixed assets, total  |                |
| 3      | NBV of intangible assets  |                |
| 4      | Long-term financial investments   |                |
| 5      | Inventories   |                |
| 6      | Total financial assets, including:  |                |
| 6.1.   | Other current assets  |                |
| 6.2.   | Cash, receivables and other current assets, including:  |                |
| 6.2.1. | Net balance of utilized loans   |                |
| 7      | Value of incomplete capital investments, including:   |                |
| 7.1.   | Buildings, premises, transmission devices, etc.   |                |
| 7.2.   | Machinery, equipment, vehicles  |                |
| 8      | Value of uninstalled equipment  |                |
| 9      | Liabilities, including:   |                |
| 9.1.   | Long-term liabilities   |                |
| 9.2.   | Accounts payable and other liabilities  |                |
| 9.3.   | Prepaid expenses  |                |
| 10     | Deferred taxes  |                |
| 11     | Restructured debt   |                |
| 12     | Settlements for property  |                |
| 13     | Value of CAE property<br>(i.2 + i.3 + i.4 + i.5 + i.6 + i.7 + i.8 - i.9 - i.10 - i.11 - i.12) |                |
| 14     | Total deductions from property value, including:  |                |
| 14.1.  | NBV of social sphere assets   |                |
| 14.2.  | NBV of assets not to be shared  |                |
| 15     | Property share fund (i.13-i.14)   |                |

**Table 2 : Property Share Fund Distribution Plan**

| No. | Items   | Amount | % |
|-----|---|--------|---|
| 1   | Total property share fund, including:                               |        |   |
|     | Fixed assets - Group 1  |        |   |
|     | Fixed assets - Groups 2 & 3   |        |   |
|     | Current assets  |        |   |
|     | Financial investments   |        |   |
|     | Incomplete construction   |        |   |
|     | Equipment   |        |   |
| 2   | Property share fund to be distributed among individuals, including: |        |   |
|     | Fixed assets - Group 1  |        |   |
|     | Fixed assets - Groups 2 & 3   |        |   |
|     | Current assets  |        |   |
|     | Financial investments   |        |   |
|     | Incomplete construction   |        |   |
|     | Equipment   |        |   |
| 3   | Reserve Fund, including:  |        |   |
|     | Fixed assets - Group 1  |        |   |
|     | Fixed assets - Groups 2 & 3   |        |   |
|     | Current assets  |        |   |
|     | Financial investments   |        |   |
|     | Incomplete construction   |        |   |
|     | Equipment   |        |   |

MINUTES NO. \_\_\_\_

" \_\_\_\_\_ "  
(name of CAE)

Collective Agricultural Enterprise (CAE)

GENERAL ASSEMBLY

\_\_\_\_\_ Village \_\_\_\_\_  
\_\_\_\_\_ Rayon \_\_\_\_\_ (date)  
\_\_\_\_\_ Oblast \_\_\_\_\_

Total \_\_\_\_\_ CAE members  
Present \_\_\_\_\_ CAE members  
(attending CAE member list attached)

The Assembly was opened by: \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

Elected: Assembly Chairman \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

Elected: Assembly Secretary \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

Voted: for \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

Agenda:

1. Adoption of the proposal to restructure CAE and include it in the Agricultural Land Share Project.
2. Election of Restructuring Commission.
3. Approval of the Regulations On the Restructuring Commission.
4. Approval of the Regulations on Property Sharing.
5. Election of Inventory Commission.
6. Election of a Commission on Actualization Asset Value.
7. Issuance of State Deeds for Private Ownership of Land Parcel.

Voted: for: \_\_\_\_\_ ; against \_\_\_\_\_ ; abstained \_\_\_\_\_.

Item 1

Heard: 1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

reported on CAE's economic situation and supported need to restructure CAE in order to create conditions for every CAE member to exercise his right to a land share and property share in the common ownership of CAE.

2. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

reported on the rights of citizens/CAE members to a land share and property share and on means of exercising these rights.

Resolved: 1. To adopt the proposal to restructure CAE.  
2. To address \_\_\_\_\_ Oblast center of the Agricultural Land Share Project with request to include CAE in the Project.

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 2**

**Heard:** 1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)  
proposed the election of Restructuring Commission.

**Resolved:** 1. To elect Restructuring Commission composed of \_\_\_\_\_ individuals;  
namely: \_\_\_\_\_

2. To establish the Land Sub-Commission within the Restructuring Commission composed of \_\_\_\_\_ individuals.

3. To elect Mr./Ms. \_\_\_\_\_ Chairman of Restructuring Commission.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 3**

**Heard:** 1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)  
reported on need to grant authority to Restructuring Commission as stipulated in the Regulation On the Restructuring Commission.

**Resolved:** To approve the Regulation On the Restructuring Commission.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained: \_\_\_\_\_.

**Item 4**

**Heard:** 1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)  
reported on need for CAE's property sharing, that is, determination of individual property shares.

**Resolved:** 1. Charge the Restructuring Commission with determining the Share Property Fund's size and structure, drawing up a List of individuals eligible to receive property shares and determining individual property shares based on the following conditions:

a) Calculating individual property shares take into account time records and salary since 19\_\_;

b) Drawing up a List of individuals eligible to receive property shares based on the list of CAE members as of \_\_\_\_\_  
(date)

2. To obligate the Restructuring Commission to make property sharing before \_\_\_\_\_  
(date) and submit results to CAE General Assembly for consideration and approval.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained: \_\_\_\_\_.

**Item 5**

**Heard:** 1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)  
reported on need to have CAE's property inventoried.

**Resolved:** 1. To conduct the inventorization of CAE's property, cash and liabilities.

1. To elect Inventory Commission composed of \_\_\_\_\_ individuals;  
namely: \_\_\_\_\_

2. To elect Mr./Ms. \_\_\_\_\_ Chairman of Inventory Commission.

3. To obligate Inventory Commission to inventory the assets and submit the

minutes of its meeting to CAE General Assembly for consideration and approval by \_\_\_\_\_.  
(date)

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 6**  
**Heard:**

1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

reported on need to actualize the value of the CAE's non-current assets.

**Resolved:**

1. To elect Commission on Actualizing Asset Value composed of \_\_\_\_\_ persons; namely: \_\_\_\_\_

2. To elect Mr./Ms. \_\_\_\_\_ Chairman of Commission on Actualizing Asset Value.

3. To obligate Commission on Actualizing Asset Value to make an actualization of asset value by \_\_\_\_\_ and submit the  
(date)

statement on actualization of asset value to CAE General Assembly for consideration and approval.

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 7**  
**Heard:**

1. Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

reported on the legal and socioeconomic advantages of dividing lands in common ownership into land parcels and the procedure for receiving State Deeds for Private Ownership of Land Parcel.

**Resolved:**

1. To obligate CAE Governing Board Chairman to conclude agreement with a land surveying organization on drafting plan for dividing lands in common ownership into land parcels and issuing State Deeds for Private Ownership of Land Parcel.

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Assembly Chairman** \_\_\_\_\_  
(signature)

**Assembly Secretary** \_\_\_\_\_  
(signature)

MINUTES NO. \_\_\_\_\_

" \_\_\_\_\_ "  
(name of CAE)

Collective Agricultural Enterprise (CAE)

GENERAL ASSEMBLY

\_\_\_\_\_ Village \_\_\_\_\_  
\_\_\_\_\_ Rayon \_\_\_\_\_ (date)  
\_\_\_\_\_ Oblast \_\_\_\_\_

Total \_\_\_\_\_ CAE members  
Present \_\_\_\_\_ CAE members  
(according to the registration list)

The Assembly was opened by: \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

Elected: Assembly Chairman \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_ .

Elected: Assembly Secretary \_\_\_\_\_  
(surname, name, patronymic of speaker, his/her office)

Voted: for \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_ .

**Agenda:**

1. Approval of Minutes of Inventory Commission Meeting.
2. Approval of the report of the Commission on Actualizing Asset Value.
3. Approval of property sharing results.
4. Approval of applications of CAE members who withdraw from CAE and receive property and land shares.
5. Approval of the plat of land assigned for land share certificates determined in physical hectares and the results of land parcel distribution.
6. CAE restructuring.
7. Transfer of community and residential facilities to the balance of \_\_\_\_\_  
Village Rada.

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_ .

**Item 1**

Heard: 1. Mr./Ms. \_\_\_\_\_, Chairman of  
(surname, name, patronymic)

Inventory Commission, reported on CAE property's inventory results.

Resolved: 1. To approve Minutes of Inventory Commission Meeting (attached).

Voted: for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_ .

**Item 2**

Heard: 1. Mr./Ms. \_\_\_\_\_, Chairman of  
(surname, name, patronymic of speaker)

of the Commission on Actualizing Asset Value, reported on the actualization of assets value results.

1.4.

**Resolved:** 1. To approve the report of the Commission on Actualizing Asset Value (attached).  
**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 3**

**Heard:** 1. Mr./Ms. \_\_\_\_\_, Chairman of  
(surname, name, patronymic of speaker)

Commission for Land/Property Sharing and CAE Restructuring, reported on property sharing results.

**Resolved:** 1. To approve Property Share Entitlement List.  
2. To approve the Act of Determination of the Property Share Fund with annexes.  
3. To approve size of CAE member individual property shares according to list (attached).  
4. To approve structure of the Property Share Fund and the plan for its distribution with annexes.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 4**

**Heard:** 1. Mr./Ms. \_\_\_\_\_ reported on  
(surname, name, patronymic of speaker, his/her office)

applications submitted by CAE members for withdrawal from CAE.

**Resolved:** 1. To approve the applications for withdrawal from CAE according to list (attached).  
2. To entrust CAE Governing Board Chairman Mr./Ms. \_\_\_\_\_

(surname, name, patronymic)

to transfer to said persons their property shares.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 5**

**Heard:** 1. Mr./Ms. \_\_\_\_\_ reported on  
(surname, name, patronymic of speaker, his/her office)

the preliminary land parcel division results.

**Resolved:** 1. To approve the layout design of the projected land parcels calculated in physical hectares;  
2. To approve the results of preliminary land parcel division according to list.  
3. To entrust Governing Board as represented by its Chairman Mr./Ms. \_\_\_\_\_  
\_\_\_\_\_ to transfer the land parcels.

(surname, name, patronymic)

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 6**

**Heard:** 1. Mr./Ms. \_\_\_\_\_ proposed  
(surname, name, patronymic of speaker)

CAE's restructuring into \_\_\_\_\_  
(name of organizational-legal form)

**Resolved:** 1. To restructure CAE by means of \_\_\_\_\_ and create on its base \_\_\_\_\_, that is (isn't)  
(name of organizational-legal form)  
the CAE successor.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Item 7**

**Heard:** 1. Mr./Ms. \_\_\_\_\_ reported on  
(surname, name, patronymic of speaker, his/her office)  
obligation of CAE's Governing Board to transfer community and residential facilities to the balance of \_\_\_\_\_ Village Rada according to list (attached).

**Resolved:** 1. To transfer community and residential facilities to the balance of \_\_\_\_\_ Village Rada according to list (attached).  
2. To obligate said Chairman to sign statement transferring listed facilities to Village Rada.

**Voted:** for: \_\_\_\_\_ ; against: \_\_\_\_\_ ; abstained \_\_\_\_\_.

**Assembly Chairman** \_\_\_\_\_  
(signature)

**Assembly Secretary** \_\_\_\_\_  
(signature)

“ \_\_\_\_\_ ”  
(Company's name)

**Agricultural Limited Liability Company**

**FOUNDERS' AGREEMENT**

\_\_\_\_\_ Village  
\_\_\_\_\_ Rayon  
\_\_\_\_\_ Oblast

Date: \_\_\_\_\_ 200\_.

The following members of the Collective Agricultural Enterprise (CAE) to be restructured are the Founders and owners (hereinafter the Founders) of “ \_\_\_\_\_ ” Agricultural Limited Liability Company:

1. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

2. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

3. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

4. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

5. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

*(all the Founders must be listed)*

Pursuant to the Laws “On Entrepreneurship” dated 7 February, 1991, on “Business Companies” dated 19 September, 1991 and “On Collective Agricultural Enterprises” dated 14 February, 1992, the Founders have agreed as follows:

1. To establish “ \_\_\_\_\_ ”  
(Company's name)

Agricultural Limited Liability Company (hereinafter the Company) on the basis of this Agreement in order to conduct agricultural business.

2. Location: \_\_\_\_\_.
3. The Company shall be a legal entity as of the date of State registration. It shall have an independent balance, settlement and other accounts with banking institutions, its own seal, appropriate stamps, trade mark and other official requirements.
4. The Company is created for the following objectives: to produce, process and sell agricultural products; to provide the owners and other individuals with services supporting agricultural production and related activities and to generate profits from the above-described activities.
5. The Company may establish subsidiaries, affiliates, branches, and representative offices both within and outside of Ukraine. The branches and representative offices shall act on the basis of regulations approved by the Company; the subsidiaries shall act on the basis of Charters approved by the Company.
6. The Company may participate in joint ventures, joint stock and other companies, concerns, consortiums, associations and other voluntary unions.
7. The Company is the successor of the “ \_\_\_\_\_ ” CAE.<sup>1, 2</sup>
8. The Founders shall be liable to the extent of their contributions.  
The Company shall not be liable for any State obligations, nor shall the State be liable for those of the Company. The Company shall be liable for its obligations with all its assets which may be subject to attachment under Ukrainian legislation.
9. The Company's scope of operations is as follows:<sup>3</sup>
  - 9.1. Agricultural production and the sale of commodities and raw materials.
  - 9.2. Processing of agricultural products, both self-produced and purchased.
  - 9.3. Wholesale and retail trade in self-produced and purchased commodities, commercial (brand name) and commission trade through owned and leased warehouses (stores), shops, cafes, bars and restaurants.
  - 9.4. Manufacture of construction materials, performance of construction and repair work.
  - 9.5. Purchase and construction of buildings and premises, including those for agricultural purposes.
  - 9.6. Development of specialty manufacturing.
  - 9.7. Manufacture and sale of consumer goods.
  - 9.8. Hotel, parking lot and filling station operations, all in rural areas.
  - 9.9. Providing consulting and other services to individuals and legal entities on land cultivation, growing crops and vehicle and agricultural machinery maintenance and operation.
  - 9.10. Supplier activities, including the provision of:
    - technological lines for the processing of agricultural products; machinery, spare parts, the means of small-scale mechanization, instruments and tools;
    - vehicles, including trucks, cars, special purpose and other self-propelled machinery and equipment requiring registration with the Traffic Police;
    - oil products;
    - herbicides, pesticides, mineral fertilizers, breeding cattle and poultry, livestock, mixed forage, veterinary medicines and other agricultural inventories;

<sup>1</sup> If a CAE is being restructured by division into two or more Limited Liability Companies or any other legal entities, all of these legal entities receive part of the CAE's property.

<sup>2</sup> If a Limited Liability Company is created not as a result of CAE reorganization, or if the CAE is not liquidated when the Limited Liability Company is created, then it will not be a successor organization and clause 7 should be deleted.

<sup>3</sup> Delete any inappropriate items or add others as necessary.

- construction materials, metal constructions, wooden and sanitary engineering items.
- 9.11. Manufacture of small-scale agricultural machinery, tools, instruments, and household items.
  - 9.12. Providing utility services to the population, transportation of cargoes and passengers in Ukraine and abroad.
  - 9.13. Growing herbs, processing and sale, production and sale of medical products.
  - 9.14. Breeding and selection of new plant species, including medical herbs.
  - 9.15. Breeding and selection of new and valuable species of agricultural animals and insects.
  - 9.16. Carrying out research and development of new agricultural technologies.
  - 9.17. Providing advice and organizing training in agro-technical, veterinary and economic maintenance issues, including commercial courses in management.
  - 9.18. Purchase and sale of vehicles, including agricultural vehicles.
  - 9.19. Performing land surveys.
  - 9.20. Providing veterinary services.
  - 9.21. Consulting, information, agent, broker and dealer activities.
  - 9.22. Advertising and publishing activities.
  - 9.23. Real estate transactions in rural areas.
  - 9.24. Brewing beer, production and sale of alcoholic beverages, ethanol, cognac and fruit alcohol.
  - 9.25. Production and sale of tobacco products.
  - 9.26. Other activities not prohibited under Ukrainian legislation.
10. The Company shall obtain the appropriate licenses and permits to engage in activities subject to licensing under Ukrainian legislation.
  11. The Company shall independently determine its business directions and plan its operations.
  12. The Company may, on its own behalf, enter into agreements, acquire property and individual non-property rights, and appear before a Ukrainian law or arbitration court.
  13. The Company shall be governed in its business by Ukrainian legislation, this Agreement, the Charter and actions approved by the Company's General Assembly.
  14. The Company may engage in foreign economic operations according to Ukrainian legislation.
  15. The Founders' rights and obligations shall be determined by the Company's Charter.
  16. The Company owns the following assets:
    - property transferred by the Founders;
    - profits generated and legally acquired assets.
  17. To conduct business, the Company shall establish a Statutory Fund in the amount of \_\_\_\_\_ (amount in words) \_\_\_\_\_ (amount in figures) Hryvnias.

The Statutory Fund shall be established on the basis of the Founders' contributions.

Founders' shares in the Statutory Fund are as follows:

- 1) \_\_\_\_\_ Hryvnias, which constitutes \_\_\_ percent of the Statutory Fund; the contribution consists of the following: monetary funds in the amount of \_\_\_ Hryvnias; a property share owned by the Founder in the assets of the "\_\_\_\_\_" CAE whose monetary value equals \_\_\_\_\_ Hryvnias;

2) \_\_\_\_\_ - \_\_\_\_\_ Hryvnias, which constitutes \_\_\_ percent of the Statutory Fund; the contribution consists of the following: monetary funds in the amount of \_\_\_ Hryvnias; a property share owned by the Founder in the assets of the "\_\_\_\_\_" CAE whose monetary value equals \_\_\_\_\_ Hryvnias;

3) \_\_\_\_\_ - \_\_\_\_\_ Hryvnias, which constitutes \_\_\_ percent of the Statutory Fund; the contribution consists of the following: monetary funds in the amount of \_\_\_ Hryvnias; a property share owned by the Founder in the assets of the "\_\_\_\_\_" CAE whose monetary value equals \_\_\_\_\_ Hryvnias;

4) \_\_\_\_\_ - \_\_\_\_\_ Hryvnias, which constitutes \_\_\_ percent of the Statutory Fund; the contribution consists of the following: monetary funds in the amount of \_\_\_ Hryvnias; a property share owned by the Founder in the assets of the "\_\_\_\_\_" CAE whose monetary value equals \_\_\_\_\_ Hryvnias;

5) \_\_\_\_\_ - \_\_\_\_\_ Hryvnias, which constitutes \_\_\_ percent of the Statutory Fund; the contribution consists of the following: monetary funds in the amount of \_\_\_ Hryvnias; a property share owned by the Founder in the assets of the "\_\_\_\_\_" CAE whose monetary value equals \_\_\_\_\_ Hryvnias;

*(All the Founders shall be listed together with their shares in the Statutory Fund).*

18. The Founders who partially or fully make their contributions to the Statutory Fund with monetary funds shall pay \_\_\_\_\_ %<sup>4</sup> of their contributions into the Statutory Fund prior to the Company's State registration and within \_\_\_ days from the date of signing this Agreement. In the event a Founder fails to make his contribution within the above-stated period, he shall pay a fine calculated on the amount due at a ten (10) percent annual interest rate.

19. The Company shall establish the Reserve Fund amounting to twenty-five (25) percent of the Statutory Fund. The Company shall annually allocate five (5) percent of its net revenue to the Reserve Fund.

The Company shall independently administer the Reserve Fund. Losses and other expenses shall be covered from the Reserve Fund according to the procedure set forth in the Charter.

20. The Company's management bodies and their jurisdiction shall be determined by the Charter.

21. The Audit Committee shall review the Company's financial and business activities. The Charter shall define the procedure for the creation of the Audit Committee, the number of Committee members and the sphere of its jurisdiction.

22. In the event of the Company's liquidation, each Founder shall receive the value of a part of the Company's property proportionate to his share in the Statutory Fund.

23. This Agreement shall become effective from the date of its signing by the Founders.

24. This Agreement is executed in \_\_\_ copies, one of which shall be kept on record with the \_\_\_\_\_ Notary Public's office, with the remaining copies issued to the Founders.

<sup>4</sup> Insert the appropriate percentage, which must be between 30% and 100%.

The Founders:

- |    |             |           |       |
|----|-------------|-----------|-------|
| 1) | _____       | signature | _____ |
|    | (full name) |           |       |
| 2) | _____       | signature | _____ |
|    | (full name) |           |       |
| 3) | _____       | signature | _____ |
|    | (full name) |           |       |
| 4) | _____       | signature | _____ |
|    | (full name) |           |       |
| 5) | _____       | signature | _____ |
|    | (full name) |           |       |

*(the signature of each Founder is required)*

“ \_\_\_\_\_ ”  
Agricultural Limited Liability Company

**CHARTER**

**1. GENERAL PROVISIONS**

- 1.1. “ \_\_\_\_\_ ” Agricultural Limited Liability Company (hereinafter the Company) is an enterprise created on the basis of the “ \_\_\_\_\_ ” Collective Agricultural Enterprise which is being restructured<sup>1</sup>, and an agreement between citizens to pool their property in order to conduct agricultural business with the purpose of gaining profit.

The Company is created pursuant to the Laws “*On Entrepreneurship*” dated 7 February, 1991, “*On Business Companies*”, dated 19 September, 1991, and “*On Collective Agricultural Enterprises*” dated 14 February, 1992.

- 1.2. Company’s full name: \_\_\_\_\_

- 1.3. Abbreviated name: \_\_\_\_\_

- 1.4. Location: \_\_\_\_\_

- 1.5. The Company shall be a legal entity. It shall maintain an independent balance, and have settlement and other accounts with banking institutions, its own seal bearing the Company’s name, appropriate stamps, letterheads and other official requirements.

- 1.6. The Company shall be deemed established and acquire legal entity status as of the date of State registration.

- 1.7. To fulfill the Charter’s main stated objective, the Company may, in its own behalf, enter into agreements, acquire property and non-property rights, perform obligations and act as a plaintiff or defendant before a Ukrainian court of law.

Agreements concluded on the Company’s behalf prior to State registration shall be deemed entered into by the Company only with the Company’s approval (granted after the registration date).

- 1.8. The Company shall acquire ownership rights over land and property required to fulfill the objectives stated in this Charter.

- 1.9. The Company may engage in any entrepreneurial activities which are not in conflict with Ukrainian legislation and this Charter.

- 1.10. The Company, on its own, or together with other legal entities or individuals, may establish subsidiaries (companies, cooperatives) with legal entity status, both within and outside Ukraine; place funds into bonds, bank certificates and other securities in circulation; trade on commodity and stock exchanges; conduct auctions, exhibitions and fairs; participate in associations, concerns, consortiums and other unions.

- 1.11. The Company may establish, both within and outside Ukraine, subsidiaries, representative offices, and any other separate structural units which are not legal entities, that operate on

<sup>1</sup> If a Collective Agricultural Enterprise (CAE) is being restructured by division into two or more Limited Liability Companies or any other legal entities, all of these legal entities receive part of the CAE’s property.

the basis of regulations approved by the Company and appropriate legislation.

- 1.12. The Company may engage in foreign economic operations required in order to achieve its objectives.
- 1.13. The Company shall not be liable for obligations assumed personally by its owners.
- 1.14. Liability of owners for Company obligations shall be limited to their Statutory Fund contributions. Those owners who have not fully paid in their contributions shall be liable for Company obligations as if their contribution had been fully made.

## 2. OBJECTIVE AND SCOPE OF ACTIVITY

- 2.1. The main objective of the Company is to generate profits from agricultural operations, processing and sale of agricultural products, and from other activities.
- 2.2. The Company's scope of operations is as follows:<sup>2</sup>
  - 2.2.1. Other activities not prohibited under Ukrainian legislation.
- 2.3. The Company shall obtain the appropriate licenses and permits to engage in activities subject to licensing under Ukrainian legislation.

## 3. RIGHTS AND OBLIGATIONS

- 3.1. The owners shall have the rights to:
  - participate in the management of the Company's affairs according to the procedure prescribed by this Charter;
  - participate in the Company's profit distribution and receive dividends;
  - receive information regarding the Company's business from the Company's management and get access to accounting and reporting documentation;
  - submit an issue for General Assembly consideration provided that the application of said issue has been filed by the owner at least twenty-five (25) days prior to a General Assembly meeting;
  - enjoy preferential rights with respect to receiving manufactured goods and services provided by the Company;
  - appoint and dismiss a representative to and from General Assembly meeting participation;
  - leave the Company, in compliance with the procedures established by this Charter;
  - have recourse to a Ukrainian court of law to rescind a General Assembly Resolution passed in violation of Ukrainian legislation or this Charter.
- 3.2. Each owner may, with the approval of the other owners, give his share to another owner or a group of owners or to third parties, provided that his Statutory Fund contribution has been fully made. In buying a share of an owner, the owners enjoy the right of first refusal in proportion to their shares in the Statutory Fund or as otherwise agreed. When a share, or a part thereof, is given to a third party, the latter shall simultaneously assume all rights and obligations previously conferred upon the owner making the transfer. When a share, or part thereof, is ceded to the Company, the Company shall transfer it to a third party or other owners within twelve (12) months. During this time, the allocation of profits and the determination of a General Assembly quorum and votes shall be conducted without taking the ceded share into account.
- 3.3. The owners shall be obligated to:
  - abide by the statutory documents and the General Assembly resolutions;

<sup>2</sup> When preparing Charters for Agricultural Limited Liability Companies, it is advisable to include types of activity the Company is going to pursue. See *Agricultural Limited Liability Company Founders' Agreement, Paragraph 9, points 1-26.*

- fulfill their duties to the Company including those of a property nature, and make their contributions in the size, and according to the terms and conditions, established by the Founders' Agreement;
- keep Company business information confidential;
- help the Company fulfill its objectives.

#### 4. WITHDRAWAL, EXPULSION AND ASSOCIATE MEMBERSHIP

- 4.1. An owner may withdraw from the Company having informed the other owners of this at least \_\_\_ months prior to withdrawal.
- 4.2. An owner withdrawing from the Company shall be entitled to receive the monetary value of his share in the Company's property in proportion to his share in the Statutory Fund. The payment shall be made following approval of the annual report for the year when the withdrawal took place, but not later than twelve (12) months after the day of withdrawal.

At the withdrawing owner's request and with the General Assembly's approval, the owner's share may be returned to him, partially or fully. However, property transferred to the Company for use only shall be returned with no additional compensation.

- 4.3. A former owner shall have the right to receive his share in the profits generated by the Company during the year of withdrawal prior to the withdrawal date.
- 4.4. Any individual, including the owners' legal successors or heirs who have withdrawn from the Company, may be admitted to the Company with the General Assembly's consent.
- 4.5. If a legal successor (heir) refuses to become an owner in the Company, or the Company does not consent to admit the legal successor (heir), the Company shall return to him either the share of the former owner or the monetary equivalent thereof. The value of that share shall be determined as of the withdrawal date.
- 4.6. Owners' shares in the Statutory Fund shall not be attached in connection with their individual liabilities. When an owner is incapable of covering his debts with personal property, the creditors may require that his share be withdrawn under the procedure established by clause 4.7 of this Charter.
- 4.7. An owner who systematically fails to carry out his obligations to the Company either fully or partially, or whose acts impede the fulfillment of the Company's objectives, may be expelled from the Company by the unanimous vote of the General Assembly in which the owner concerned, or his representative, does not participate.
- 4.8. Individuals who transfer their land parcels to the Company on the basis of lease contracts shall become associate members of the Company.

#### 5. PROPERTY

- 5.1. The Company's property shall consist of fixed assets, working capital, land and other valuables whose value is reflected in the Company's balance.
- 5.2. The Company owns the following assets:
- property and land transferred to the Company's ownership by the owners;
  - products manufactured by the Company in the course of its business activities;
  - generated profits and legally acquired land and assets.
- 5.3. The Company shall solely bear the risk of the accidental destruction of the assets which it owns or property which has been transferred to the Company for its use.

- 5.4. The Company shall exercise all of its ownership rights with respect to its assets.
- 5.5. The following are the sources of the Company's assets:
- owners' contributions;
  - income from sale of products, services provided and work performed;
  - income from issuing securities;
  - other legal sources.
- 5.6. The Company's property shall be comprised of the Statutory Fund and other funds established by the Company.
- 5.7. The Company shall establish a Reserve Fund amounting to twenty-five (25) percent of the Statutory Fund. The Company shall annually allocate five (5) percent of its net profits to the Reserve Fund.
- 5.8. The Company may use the Reserve Fund to finance additional expenses, meet the costs of developing and implementing new prospective programs, replenish working capital, cover losses incurred due to unfavorable market conditions, and in other cases.
- The Company may decide to allocate a portion of the Reserve Fund toward paying salaries and wages which should subsequently be offset at the expense of the Payroll Fund.
- 5.9. Company funds shall be kept on settlement and other bank accounts. The Company shall administer its Funds independently.
- 5.10. A part of the Company's property may be transferred to its subsidiaries, branches, representative offices and other separate structural units on grounds established by the Company.
- 5.11. Company profits shall consist of revenues generated by business activities less all material, labor and other labor costs.
- 5.12. Taxes and other mandatory payments due to the State or local budgets according to Ukrainian legislation, bank and other loan repayments, are paid out of profits.

## 6. LANDS

- 6.1. For the purpose of its business, the Company shall use owned or leased lands purchased or acquired by the Company.
- 6.2. The Company shall acquire land ownership rights over land under the following circumstances:
- purchase or acquisition of land parcels on a contract basis;
  - owners' contributions of land parcels to the Statutory Fund.

## 7. STATUTORY FUND

- 7.1. To conduct business, the Company shall establish a Statutory Fund amounting to \_\_\_\_\_ Hryvnias. The Company may change (increase or decrease) the size of the Statutory Fund.
- 7.2. All owners must pay in their contributions fully prior to an increase of the Statutory Fund.
- 7.3. A decrease of the Statutory Fund may be allowed only if the Company's creditors have made no objection.

- 7.4. A Company decision to change the Statutory Fund shall become effective as of the date the change is entered into the State register.

## 8. MANAGEMENT

- 8.1. The General Assembly
- 8.1.1. The General Assembly of the owners is the highest governing body of the Company.
- 8.1.2. The General Assembly has jurisdiction to:
- a) define the Company's business direction, approve its plans, and report on the fulfillment of objectives;
  - b) amend and supplement the Charter;
  - c) elect and recall Board of Directors and Audit Committee members;
  - d) approve annual Company reports, including those of subsidiaries; approve Audit Committee reports and resolutions, approve profit distribution and loss compensation procedures;
  - e) establish, restructure and liquidate subsidiaries, branches and representative offices and approve their Charters and regulations;
  - f) decide on holding Company officers financially liable;
  - g) approve internal regulations, rules and procedures for internal documentation, and define the Company's organizational structure;
  - h) formulate a remuneration schedule for Company officers, its subsidiaries, branches, and representative offices;
  - i) approve agreements in excess of \_\_\_ Hryvnias in value;
  - j) define additional owner contribution size and the procedure thereof;
  - k) decide on Company's acquisition of owners' shares;
  - l) expel owners from the Company;
  - m) decide on the termination of the Company's business, appoint a Liquidation Committee, and approve a liquidation balance.
- The issues described under items a), b) and l) above, and those issues which have not been included in the General Assembly's agenda beforehand, require a unanimous decision of the General Assembly. The remaining issues shall be decided by a simple majority vote.
- 8.1.3. An owner may assign his authority to another owner, or to his representative. Owners' representatives may act permanently or be appointed for a certain term. An owner may replace his representative at any time, having informed the other owners.
- 8.1.4. Each member has the right to a number of votes proportional to his Founder's Share as a percentage of the total Statutory Fund. Owners (or their representatives) controlling a total of sixty (60) percent of the votes shall constitute a quorum of the General Assembly; when issues requiring a unanimous vote are to be considered, one hundred (100) percent of the owners (or their representatives) shall constitute a quorum. The number of votes controlled by each owner must be listed in the course of registering the owners who take part in a General Assembly. The list shall be signed by the General Assembly's Chairman and Secretary.
- 8.1.5. An Officer of one of the Company's executive bodies who is not an owner may participate in the General Assembly with an advisory vote. The Company's associate members also have the right to an advisory vote.
- 8.1.6. General Assembly meetings shall be called at least twice a year.
- 8.1.7. Extraordinary General Assembly meetings shall be called by the Chairman of the Board in the following circumstances: if the Company becomes insolvent; when there is a threat that the Statutory Fund may decrease significantly; under any other circumstances when the Company's interests so require.
- Extraordinary meetings shall also be called at the Board of Directors' request. Owners who jointly command twenty (20) percent of the vote may call an extraordinary meeting whenever they so desire and for whatever reason, provided it is relevant to the Company's business. If the Chairman fails to convene the General Assembly at the own-

- ers' request within twenty-five (25) days, the owners may do so themselves.
- 8.1.8. Prior to any General Assembly meeting, but no later than thirty (30) days prior to the meeting date, the owners shall be notified as to the date, time, place and agenda of the meeting by a notice placed in a public location near the place where the meeting is to convene.
- 8.1.9. The owners shall have the right to familiarize themselves with the documents relevant to the meeting's agenda at least seven (7) days prior to the meeting.
- 8.1.10. A Company owner may request the consideration of any question at the meeting if he has forwarded that question to the General Assembly no later than twenty-five (25) days prior to the meeting date.
- 8.1.11. Consideration of a question which does not require a unanimous decision may be made through opinion polling. In this case, the draft of the decision or question which is placed before a vote should be forwarded to the owners who should respond in written form. During the next ten (10) days from the date of the last owner's response, all owners should be informed by the Company's Head as to the decision taken. Approval of a decision through opinion polling requires that the decision of all owners polled be unanimous.
- 8.2. Board of Directors
- 8.2.1. The Board of Directors, comprised of three (3) individuals, shall be appointed by the General Assembly to act as the Company's executive body. The Company's Head shall be the Board's Chairman. Persons who are not owners in the Company may serve as Board members.
- 8.2.2. The Board shall decide all issues which are subject to its consideration, with the exception of those under the General Assembly's sole jurisdiction. However, the General Assembly may delegate part of its powers to the Board.
- 8.2.3. The Board shall report to the General Assembly and implement the latter's resolutions.
- 8.2.4. The Board shall act on the Company's behalf within the limits of power granted by this Charter.
- 8.2.5. The Board's Chairman may act on the Company's behalf without additional authorization. The General Assembly may decide to extend this right to the rest of the Board's members.
- 8.3. Audit Committee
- 8.3.1. To monitor the Board's performance, the Audit Committee shall be elected by the General Assembly. There shall be three (3) Audit Committee members. Only owners who are not Board members may become Audit Committee members.
- 8.3.2. An audit of the Board's performance may be conducted at the General Assembly's request, initiated by the Audit Committee or conducted at the owners' request. The Audit Committee may request any documentation, accounting or other records and ask any officer or employee to provide explanations.
- 8.3.3. The Audit Committee shall report its findings to the General Assembly. The Audit Committee shall prepare its recommendation based on its examination of each annual Company report and balance. Without the Audit Committee's recommendation, the General Assembly shall not approve any annual Company balance sheet.
- 8.3.4. If there is a serious threat to the Company's well-being, or if abuse of power by a Company officer is revealed, the Audit Committee shall request that an extraordinary General Assembly meeting be convened.

## 9. ACCOUNTING AND REPORTING

- 9.1. The Company shall maintain accounting records describing its performance and prepare statistical reports to be submitted to the State statistical agencies as required by Ukrainian legislation.
- 9.2. The trustworthiness and completeness of annual Company balance sheets and reports may

be confirmed by an auditor (auditing firm).

#### 10. TERMINATION

- 10.1. The Company's activities may be terminated either as a result of its restructuring (merger, acquisition, division, separation or reorganization) according to Ukrainian anti-monopoly legislation, or liquidation.
- 10.2. The General Assembly may initiate the decision to restructure the Company. In the event of the Company's restructuring, the Company's legal successors shall assume all the Company's rights and obligations.
- 10.3. The Company may be liquidated under the following circumstances:
  - a General Assembly resolution;
  - a Ukrainian law or arbitration court orders the Company's termination based on a recommendation submitted to the General Assembly by supervising agencies which monitor the Company's performance in the event of a systematic violation of Ukrainian legislation;
  - An arbitration court orders the Company's termination according to the procedure established by the Law "On Bankruptcy";
  - in any other case provided by Ukrainian legislation.
- 10.4. The Company's liquidation shall be conducted by the Liquidation Committee created by the Company. In the event that liquidation is ordered by a court of law or arbitration, the Liquidation Committee is appointed by the body ordering the liquidation.
- 10.5. The Liquidation Committee shall assume all the Company's functions from the moment of its creation.
- 10.6. Within three (3) days after its creation, the Liquidation Committee shall:
  - publish information regarding the Company in an official publication (on the national and local levels) specifying the creditor claims submission deadline;
  - conduct a Company property valuation;
  - identify, and settle with, the Company's creditors and debtors;
  - take measures to pay the Company's debts to third parties and Company owners;
  - draw up a liquidation balance and submit it either to the General Assembly or other authorized body which appointed the Liquidation Committee.
- 10.7. If the Company's annual turnover exceeds two hundred and fifty (250) non-taxable incomes, the trustworthiness and completeness of the liquidation balance must be confirmed by an auditor (auditing firm).
- 10.8. Within six (6) months from the termination notice publication date, the Company's monetary funds (including proceeds from the liquidation sale of its property) shall be distributed among the Company's owners in proportion to their shares in the Statutory Fund after the Company's settlement with its employees, the State and local budgets, banks, holders of bonds issued by the Company, and other creditors. In the event of a dispute arising out of the Company's debt settlements, its funds shall not be distributed among the owners until either the dispute is resolved, or the Company's creditors are given satisfactory guarantees.
- 10.9. The Company's liquidation shall be considered complete, and the Company's activities terminated, when the appropriate record is entered in the State register.

## MINUTES #1

“ \_\_\_\_\_ ”  
**Agricultural Limited Liability Company <sup>1</sup>**

## FOUNDING ASSEMBLY

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon  
 \_\_\_\_\_ Oblast

Date: \_\_\_\_\_

Present:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Agenda:

1. Establishment of “ \_\_\_\_\_ ” Agricultural Limited Liability Company (hereinafter the Company) on the basis of the property of “ \_\_\_\_\_ ” Collective Agricultural Enterprise (CAE) which is being restructured, approval of its name and establishment of the Statutory Fund.<sup>2</sup>
2. Signing of the Founders’ Agreement and the Company’s Charter.
3. Election of the Company’s Head.
4. Election of the Chairman of the Board of Directors and election of the Board of Directors.
5. Establishment of the Review Committee.

## Item 1

Heard: \_\_\_\_\_

Resolved:

1. To found an Agricultural Limited Liability Company.
2. To approve the following name of the Company: “ \_\_\_\_\_ ”.
3. To establish the Statutory Fund in the amount of \_\_\_\_\_ Hryvnias.

Voted: for \_\_\_\_; against \_\_\_\_; abstained \_\_\_\_.

## Item 2

Heard: \_\_\_\_\_

Resolved:

1. To sign the Founders’ Agreement.
2. To approve the Company’s Charter.

Voted: for \_\_\_\_; against \_\_\_\_; abstained \_\_\_\_.

<sup>1</sup> A similar format may be used for Minutes of the Founding Assembly of an Agricultural Service Cooperative or an Agricultural Production Cooperative, by substituting the appropriate name.

<sup>2</sup> If a CAE is being restructured by division into two or more legal entities, this fact must be recorded in the Minutes in due order.

**Item 3**

**Heard:** \_\_\_\_\_

**Resolved:**

To elect Mr./Ms. \_\_\_\_\_ the Company's Head.

**Voted:** for \_\_\_\_; against \_\_\_\_; abstained \_\_\_\_.

**Item 4**

**Heard:** \_\_\_\_\_

**Resolved:**

1. To elect Mr./Ms. \_\_\_\_\_ Chairman of the Board of Directors.
2. To elect the following as Directors:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Voted:** for \_\_\_\_; against \_\_\_\_; abstained \_\_\_\_.

**Item 5**

**Heard:** \_\_\_\_\_

**Resolved:**

1. To elect the Review Committee consisting of three persons.
2. To elect Mr./Ms. \_\_\_\_\_ Chairman of the Review Committee.
3. To elect the following persons as Review Committee members:

\_\_\_\_\_  
\_\_\_\_\_

Chairman of the Assembly: \_\_\_\_\_ ( \_\_\_\_\_ )  
(signature)

Secretary of the Assembly: \_\_\_\_\_ ( \_\_\_\_\_ )  
(signature)

“ \_\_\_\_\_ ”

## Private Family Farm

### CHARTER

#### 1. GENERAL PROVISIONS

- 1.1. “ \_\_\_\_\_ ” Private Family Farm (hereinafter the Farm) is established and acts pursuant to the Laws “*On the Private Family Farm*” dated 20 December, 1991, “*On Ownership*” dated 7 February, 1991, “*On Entrepreneurial Activity*”, dated 7 February, 1991 “*On Prioritizing Social Sphere Development in Rural Areas*” dated 17 October, 1990, land and other Ukrainian legislation.
- 1.2. The Farm is founded and headed by \_\_\_\_\_ (hereinafter the Founder).
- 1.3. The following individuals are the Farm’s members:
  1. \_\_\_\_\_.
  2. \_\_\_\_\_.
- 1.4. Farm members’ activities are based on their status as members who, as such, are not required to enter Farm employment contracts or agreements.
- 1.5. Family members and the Founder’s relatives shall be free to decide whether, and in what manner, to participate in the Farm’s business.
- 1.6. Location: \_\_\_\_\_ Village,  
\_\_\_\_\_ Rayon, \_\_\_\_\_ Oblast.

#### 2. OBJECTIVE AND SCOPE OF ACTIVITY

- 2.1. The Farm’s main objective is to generate profits from agricultural operations, processing and sale of agricultural products, and from other activities.
- 2.2. The Farm’s scope of operations is as follows:<sup>1</sup>
  - 2.2.1. Other activities not prohibited under Ukrainian legislation.
- 2.3. The Company shall obtain the appropriate licenses and permits to engage in activities subject to licensing under Ukrainian legislation.

#### 3. LEGAL STATUS

- 3.1. The Farm shall be a legal entity. It shall have settlement, currency and other bank accounts as well as a seal and stamps bearing the Farm’s name.
- 3.2. The Farm shall acquire legal entity status as of the date of State registration.
- 3.3. To fulfill the Charter’s stated objectives, the Farm has the right, in its own name, to conclude contracts, acquire property and non-property rights and obligations, and appear as a plaintiff or defendant before a Ukrainian law or arbitration court.
- 3.4. All documents issued to transfer title to, or confer the right to use, land shall bear the Founder’s name according to Ukrainian legislation.
- 3.5. All of the Farm’s relations with all individuals and legal entities of all types of ownership shall be based on contracts unless otherwise provided by Ukrainian legislation. Both cash and non-cash settlements are permitted.

<sup>1</sup> When preparing Charters for Private Family Farms, it is advisable to include types of activity the Farm is going to pursue. See *Agricultural Limited Liability Company Founders’ Agreement*, paragraph 9, points 1-26.

- 3.6. The Farm may be involved in foreign economic activity and perform export-import operations according to Ukrainian legislation.
- 3.7. No State or other body shall interfere with the Farm's business, or any other activity, except in those circumstances when such interference is explicitly required by Ukrainian legislation.
- 3.8. The Farm shall bear no responsibility for the State's obligations, nor shall the State bear any responsibility for the Farm's obligations.
- 3.9. No asset or property owned by the Farm, or vested interest the Farm may have in subsidiaries or organizations it has established, or any asset transferred to the Farm's use and located within Ukraine, may be subject to nationalization, confiscation, or alienation by any other means, except in those circumstances when such alienation is explicitly required by Ukrainian legislation.
- 3.10. The Farm may found, or participate in any association, consortium, corporation, union, company, cooperative or joint venture involved in manufacturing, processing and sale of agricultural products, and in any non-agricultural entity, including those with foreign participation.
- 3.11. When the Farm's property is disposed of, and the land used by the Farm, including leased land, passes to another individual or entity according to a Local Council decision, the Farm shall have the right to claim reimbursement of all costs incurred during crop operations and land improvement from the new possessor.

#### 4. PROPERTY

- 4.1. The Farm may own apartment houses, flats, domestic appliances, breeding cattle and labor stock, poultry, beehives, crops and planted stocks, fixed production assets, finished goods and the proceeds from their sale, intellectual property, vehicles, processing shops and production lines, cash, shares and other securities, and any other property required for business purposes, including specialty manufacturing.
- 4.2. In the absence of a specific agreement regarding the ownership structure, Farm members shall own the Farm's property as co-owners. Farm members, as co-owners, shall possess, use and dispose of their property in line with the Farm Charter's main stated objective according to Ukrainian legislation.
- 4.3. The Farm's financial and asset sources are as follows:
  - cash;
  - Farm member contributions and property shares obtained during withdrawal from Collective Agricultural Enterprises according to Ukrainian legislation;
  - income from the sale of goods, services provided, work performed, and other business activities;
  - income from securities;
  - bank and other creditor loans;
  - Ukrainian and foreign investor investments;
  - Ukrainian and foreign entity, and individual voluntary contributions;
  - assets purchased from other entities and individuals;
  - any other sources not explicitly prohibited by Ukrainian legislation.
- 4.4. The Farm's Founder shall, in compliance herewith, and on the basis of bilateral agreements with Farm members, possess, use and dispose of the Farm's assets.
- 4.5. The Farm may sell, assign, exchange, lease, or transfer for temporary use, any asset it owns to any other company, organization or individual.
- 4.6. The Farm may purchase or lease assets from any other company, organization, farm enterprise or individual.
- 4.7. The Farm may establish a Reserve Fund to which at least five (5) percent of net profit shall be allocated, an Insurance Fund, and any other fund it deems necessary.
- 4.8. The Farm may voluntarily choose to insure its assets according to Ukrainian legislation.

- 4.9. Property relations between the Farm and any other business entity shall be governed by civil law and contracts.
- 4.10. In the event of a property-related dispute between Farm members, an attempt must be made to resolve the dispute according to this Charter and any contracts which may have been concluded between said members. If such attempt fails, the matter must be referred to the appropriate Ukrainian court of law.

## 5. LANDS

- 5.1. The lands of the Farm shall include owned lands purchased or acquired by the Founder, leased lands, and lands received for permanent use.
- 5.2. The Farm shall carry out all activities to protect land according to Ukrainian legislation.
- 5.3. The Farm shall:
  - ensure that the land is used for its intended purpose, and according to the terms and conditions upon which it has been received;
  - use the land efficiently, enhance its fertility, employ environment-friendly production technologies, and preserve the ecosystem when conducting business activity;
  - pay land tax as due according to Ukrainian legislation;
  - not infringe upon any other land owner's and user's rights, including lessees;
  - preserve geodetic monuments, anti-erosion facilities, irrigation and drainage systems;
  - grant adjacent land plot owners and users the right of easement to access public roads and build or repair landmarks and premises;
  - not impair public work on, or the development of, the communication infrastructure leading to adjacent land plots.

## 6. BUSINESS AND FINANCIAL ACTIVITY

- 6.1. The Farm shall independently define its business strategy and areas of specialization, organize agricultural operations, the processing and sale of agricultural products, and select business partners, including foreign ones.
- 6.2. The Farm may purchase any supplies it requires.
- 6.3. The Farm may enter into lease and any other contracts not explicitly prohibited by Ukrainian legislation.
- 6.4. The Farm may set up internal units for the maintenance and repair of plant facilities and equipment, and for agrochemical, zoo-technical and veterinary support, or out-source those services to any other legal entity or individual.
- 6.5. The Farm shall decide how to dispose of its produced goods.
- 6.6. Settlements between the Farm and State shall be governed by Ukrainian legislation and contracts concluded between the Farm and authorized State agencies. The Farm shall, at its sole discretion, set prices for services not regulated by the State.
- 6.7. The Farm is a payer of taxes and other mandatory payments under Ukrainian legislation.
- 6.8. The Farm may apply for the resources of the Ukrainian State Family Farms Support Fund, and assistance from any other State and non-governmental organization in order to establish a stable business environment.
- 6.9. The Farm may engage in foreign economic activity in any form, in compliance with Ukrainian legislation, international and intergovernmental agreements, and other applicable regulations.
- 6.10. The Farm may use for its own needs any common minerals, forests, water reservoirs and underground waters located on or beneath the Farm's lands, as well as any other useful land features, in compliance with Ukrainian legislation.

## 7. LABOR AND SOCIAL GUARANTEES

- 7.1. Farm members shall regulate and define the basis for their internal labor relations as regulated by Ukrainian legislation. Farm members are covered by the public social insurance and pension system and shall pay all appropriate contributions to the Social Insurance and Pension Funds.
- 7.2. The Farm may conclude employment contracts with other individuals; labor relations are governed by Ukrainian labor laws.
- 7.3. The Farm's employment contracts with individuals for whom the Farm is the place of primary employment must be registered with the Local Council.
- 7.4. Employee and Farm member salaries and labor conditions are established according to Ukrainian legislation.
- 7.5. Labor conditions and remuneration plans applicable to hired individuals shall be regulated by employment contract terms and conditions and Ukrainian legislation.
- 7.6. The Farm's Founder and members may not have permanent employment relations with any other company or organization.
- 7.7. The Farm is subject to Ukrainian labor safety rules and regulations.
- 7.8. The Farm shall bear full responsibility for any damages and injuries inflicted on members and employees on duty.
- 7.9. Labor disputes shall be resolved according to the procedure established by Ukrainian legislation.

## 8. MANAGEMENT

- 8.1. Management authority shall rest with the Farm's Founder.
- 8.2. The Founder may delegate any of his rights and obligations to any Farm member.
- 8.3. The Founder shall represent the Farm before entities, organizations and individuals, both within and outside of Ukraine.
- 8.4. The Founder shall organize the Farm's business activity and shall have the authority to administer the Farm's property and resources, sign financial documents, hire and discharge employees, establish internal labor policies and procedures, and impose sanctions.

## 9. ACCOUNTING AND REPORTING

- 9.1. The Farm shall maintain accounting records describing its business performance as required by Ukrainian legislation.
- 9.2. For the purpose of settlement with the State and local budgets, the Farm, as a business entity, shall provide the appropriate State agencies with all of the reporting documents as required, and according to the procedure established, by Ukrainian tax legislation.

## 10. CHANGES AND AMENDMENTS

- 10.1. Any Charter changes and amendments shall require a Farm members' General Assembly decision.
- 10.2. Any Charter changes or amendments must be registered according to Ukrainian legislation.

## 11. LIQUIDATION

- 11.1. The Farm may be liquidated under the following circumstances:
- a) a decision of the Farm's members;
  - b) land ownership, or the right to use land, no longer exists under Ukrainian legislation;
  - c) the Farm enters into bankruptcy;
  - d) there is no member or legal successor willing to continue the Farm's business.
- 11.2. Any dispute related to the Farm's liquidation must be referred to a Ukrainian court of law.
- 11.3. In the event of liquidation, the Farm's assets shall be applied in a descending order of priority to:
- a) pay employee salaries and wages;
  - b) settle with State and local budgets;
  - c) settle bank liabilities;
  - d) satisfy claims of all other creditors;
- with the balance remaining in the ownership of co-owners, or distributed among them according to an agreement reached between relevant parties prior to or during the liquidation process.

“ \_\_\_\_\_ ”

## Private Agricultural Enterprise

### CHARTER

#### 1. GENERAL PROVISIONS

- 1.1. “ \_\_\_\_\_ ” Private Agricultural Enterprise (hereinafter the Enterprise) is created in the process of restructuring “ \_\_\_\_\_ ” Collective Agricultural Enterprise (CAE) registered by decision \_\_\_\_\_ of “ \_\_\_\_\_ ” 200 # \_\_\_\_\_.
- 1.2. The Enterprise is a legal successor to the “ \_\_\_\_\_ ” CAE as of the date of the CAE’s removal from the State register. The Enterprise shall assume all rights and obligations under any and all outstanding contracts concluded between the CAE and legal entities or individuals, but not under those contracts involving the property and agricultural lands of the restructured CAE transferred to CAE members in the form of land and property shares.<sup>1</sup>
- 1.3. Citizen \_\_\_\_\_ holder of passport # \_\_\_\_\_ issued by \_\_\_\_\_ residing at the following address \_\_\_\_\_ is the Enterprise’s founder and owner (hereinafter the Owner).
- 1.4. Enterprise’s Location: \_\_\_\_\_
- 1.5. The Enterprise is established and acts pursuant to the *Constitution of Ukraine*, the Laws “*On Enterprises in Ukraine*” dated 27 March, 1991, “*On Entrepreneurial Activity*”, dated 7 February, 1991, “*On Ownership*”, dated 7 February, 1991, and other Ukrainian legislation.

#### 2. OBJECTIVE AND SCOPE OF ACTIVITY

- 2.1. The Enterprise’s main objective is to generate profits from agricultural operations, processing and sale of agricultural products, and from other activities.
- 2.2. The scope of the Enterprise’s operations is as follows: <sup>2</sup>
  - 2.2.1. Other activities not prohibited under Ukrainian legislation.
  - 2.3. Activities subject to licensing may be carried out only after appropriate licenses and permits required under Ukrainian legislation have been received.

#### 3. LEGAL STATUS

- 3.1. The Enterprise is a legal entity under Ukrainian legislation, maintains a separate balance, and owns fixed and current assets. It has settlement, currency and other bank accounts, a seal and stamps bearing the Enterprise’s name, and other requirements. The Enterprise shall acquire legal entity status as of the date of State registration.
- 3.2. To fulfill the Charter’s stated objectives, the Enterprise may, on its own behalf, enter into contracts, acquire property and non-property rights and obligations, and appear as plaintiff or defendant before a Ukrainian law or arbitration court.

<sup>1</sup> Part of paragraph 1.1 and paragraph 1.2. in its entirety must not be included in the Charters of Private Agricultural Enterprises not created from CAE reorganization.

<sup>2</sup> When preparing Charters for Private Agricultural Enterprises, it is advisable to include types of activity the Enterprise is going to pursue. See *Agricultural Limited Liability Company Founders’ Agreement*, paragraph 9, points 1-26.

- 3.3. The Enterprise may make investments in other manufacturing entities.
- 3.4. The Enterprise shall bear no responsibility for the State's obligations, nor shall the State bear responsibility for the Enterprise's obligations.
- 3.5. The Owner shall not be responsible for the Enterprise's obligations, nor shall the Enterprise be responsible for the Owner's obligations.
- 3.6. The Enterprise may found, or participate in, any association, consortium, corporation, union, company, cooperative or joint venture involved in manufacturing, processing and sale of agricultural products, and in any non-agricultural entity, including those with foreign participation. The Enterprise may participate in the creation of commercial banks and own shares in other corporate entities.
- 3.7. The Enterprise may establish subsidiaries and representative offices and allocate its fixed and current assets to them. The affairs of such subsidiaries and representative offices shall be managed by officers appointed by the Owner.
- 3.8. The Enterprise shall be established for an indefinite term.

#### 4. PROPERTY

- 4.1. The Enterprise shall have ownership rights to the property in its possession and must use and dispose of such property according to the objectives and scope of operations stated herein. The Enterprise's property shall consist of any fixed, current and other assets of value disclosed in the Enterprise's balance.
- 4.2. The Enterprise's financial and asset sources are as follows:
  - cash;
  - the Owner's contributions;
  - income from the sale of goods, services provided and work performed, and other business activities;
  - income from securities;
  - bank and other creditor loans;
  - Ukrainian and foreign investor investments;
  - Ukrainian and foreign entity, and individual voluntary contributions;
  - assets purchased from other entities and individuals;
  - any other sources not explicitly prohibited by Ukrainian legislation.
- 4.3. The Enterprise may take into its possession or use, including on the basis of lease contracts, other company, organization, agency and individual assets.
- 4.4. The Enterprise may lease former CAE assets transferred to CAE members in the form of property shares if such assets constitute a single business structure (for example, premises, machinery, equipment and livestock) and owned collectively by co-owners.
- 4.5. The Enterprise may sell, donate, assign, exchange, and lease any asset it owns to any other company, organization or individual, or dispose of such assets in any other manner according to Ukrainian legislation and this Charter.
- 4.6. The Owner may direct the Enterprise to establish a Statutory, Reserve or other Fund.
- 4.7. The Statutory Fund, whose size is determined by the Owner, shall serve the Enterprise's financial and business activity purposes and consist of the Owner's financial and asset contributions.
- 4.8. A Reserve Fund shall be established to cover extraordinary expenses and losses, and will be \_\_\_\_ ( ) percent of annual net profit earned on a yearly basis. The Director shall decide the allocation of the Reserve Fund's resources.<sup>3</sup>
- 4.9. The Enterprise shall be liable for its assumed obligations with any and all of its assets which are subject to attachment upon creditor request.

<sup>3</sup> The Owner may appoint the Director or personally assume the functions of that office.

## 5. LANDS

- 5.1. The lands of the Enterprise shall include owned lands purchased or acquired by the Enterprise, leased lands, including those leased from former CAE members, and lands received for permanent use.
- 5.2. The Enterprise shall carry out all activities to protect land according to Ukrainian legislation.
- 5.3. The Enterprise shall:
  - ensure that the land is used for its intended purpose, and according to the terms and conditions upon which it has been received;
  - use the land efficiently, enhance its fertility, employ environment-friendly production technologies, and preserve the ecosystem when conducting business activity;
  - pay land tax as due according to Ukrainian legislation;
  - not infringe upon any other land owner's and user's rights, including lessees;
  - preserve geodetic monuments, anti-erosion facilities, irrigation and drainage systems;
  - grant adjacent land plot owners and users the right of easement to access public roads and build or repair landmarks or premises;
  - not impair public work on, or the development of, the communication infrastructure leading to adjacent land plots.

## 6. MANAGEMENT

- 6.1. Major business decisions shall be made by the Owner. The Owner has the right to:
  - identify the Enterprise's main business directions, approve action plans and progress reports;
  - approve Charter amendments;
  - make decisions regarding the Enterprise's liquidation or restructuring, appoint a Liquidation Committee and approve a liquidation balance.
- 6.2. The Owner may appoint the Enterprise's Director or personally assume the Director's functions. The Owner has the right to appoint and dismiss the Enterprise's Chief Accountant.
- 6.3. The Director shall have the authority to manage the Enterprise's current activities. The Director may make business and operational decisions in his sole discretion according to Ukrainian legislation, this Charter, and business policies and action plans approved by the Owner.
- 6.4. The Director shall organize the Enterprise's activity, represent the Enterprise before any Ukrainian and foreign legal entity, organization and agency, administer the Enterprise's property and financial funds, and conclude contracts.
- 6.5. The Director shall have the right to hire and dismiss Enterprise employees, impose sanctions according to Ukrainian legislation, represent the Enterprise before a Ukrainian law or arbitration court, and approve the Enterprise's internal policies and procedures according to Ukrainian legislation.
- 6.6. The Director shall represent the Enterprise before any legal entity or individual, and conduct negotiations and enter into contracts on the Enterprise's behalf.
- 6.7. The scope of the Director's competence, terms of his employment and remuneration, shall be set forth in an employment contract between the Owner and the Director.
- 6.8. The Director shall report, and is accountable, to the Owner.
- 6.9. Any individual who has entered an Enterprise employment contract shall be deemed an Enterprise employee.

## 7. BUSINESS AND FINANCIAL ACTIVITY

- 7.1. The Enterprise shall, in its sole discretion, define its business strategy and areas of specialization, organize agricultural operations, processing and sale of agricultural products, and select business partners, including foreign ones.
- 7.2. Business relations shall be regulated on the basis of contracts concluded between the Enterprise and other companies, organizations and individuals. The Enterprise, in its sole discretion, may choose the subject matter of any contract, assume obligations, and define any terms and conditions of business that do not contradict Ukrainian legislation.
- 7.3. The Enterprise may:
  - purchase any supplies it requires from any company, organization or agency on an exchange, or from an individual;
  - own, and exercise discretion in the use and disposal of, these supplies;
  - lease any equipment.
- 7.4. The Enterprise's profit is generated from its business activity proceeds less labor, input and other costs. Interest payable on bank loans and bonds, all taxes and mandatory payments to the budget, shall be entered on the income statement as write-offs. The Enterprise may exercise discretion in the use of its after-tax net profits. The Director shall have the authority to allocate net profits subject to policies and procedures set forth by the Owner.
- 7.5. The Enterprise may exercise discretion in disposing of and pricing products manufactured by the Enterprise and establish tariffs for the unregulated services that it offers. The Enterprise may enter a public contract for the supply of agricultural products if it is economically feasible and will provide a satisfactory return.
- 7.6. The Enterprise shall pay all taxes and duties levied under Ukrainian legislation.
- 7.7. No State bodies may interfere in the Enterprise's business activity except in those circumstances when such interference is explicitly required by Ukrainian legislation. The Enterprise may seek compensation for any loss, including the loss of expected profits, sustained due to illegal interference in its business by any State bodies.

## 8. FOREIGN ECONOMIC ACTIVITY

- 8.1. The Enterprise may engage in foreign economic activity pursuant to the Law "On Foreign Economic Activity" dated 16 April, 1991, and other Ukrainian legislation.
- 8.2. The Enterprise may conduct export and import transactions and act as an intermediary.
- 8.3. To fulfill the Charter's stated objective, the Enterprise may, both within and outside of Ukraine, establish joint ventures with foreign participation.

## 9. LABOR AND SOCIAL GUARANTEES

- 9.1. Labor relations between the Enterprise and its employees shall be governed either by the terms and conditions of employment contracts, or civil contracts, according to Ukrainian legislation.
- 9.2. The Director shall have the right to hire and dismiss all employees, except for the Chief Accountant, and to formulate remuneration plans.
- 9.3. The Enterprise is obligated to establish safe and secure working conditions for all employees and, to the extent provided by Ukrainian legislation, compensate them for any injuries or disabilities incurred during work.
- 9.4. No ceiling shall be imposed on the remuneration amount. The minimum wage offered by the Enterprise may not be lower than the official minimum wage.

- 9.5. The Enterprise's labor relations shall be governed by, and terminated according to, the Labor Code, the Enterprise's internal policies and procedures, and remuneration plans.

## 10. ACCOUNTING AND REPORTING

- 10.1. The Enterprise shall maintain primary and accounting records describing its performance and prepare statistical reports to be submitted to the State statistical agencies as required by Ukrainian legislation.
- 10.2. The Enterprise's first fiscal year shall start as of the date of State registration and end December 31 of the same year; subsequent fiscal years shall coincide with calendar years.

## 11. CHANGES AND AMENDMENTS

- 11.1. The Owner may, from time to time, change and amend this Charter. No Charter modification or amendment shall come into force prior to the date of the Charter's State registration.

## 12. TERMINATION

- 12.1. The Enterprise's activities may be terminated either as a result of its restructuring or liquidation.
- 12.2. The Owner may initiate the decision to restructure the Enterprise.
- 12.3. In the event of the Enterprise's restructuring, the legal successors of the Enterprise shall assume all of the Enterprise's rights and obligations.<sup>4</sup>
- 12.4. The Enterprise may be liquidated under the following circumstances:
- by the Owner's decision;
  - the Enterprise enters into bankruptcy;
  - in any other case provided by Ukrainian legislation.
- 12.5. The Owner, or any other body authorized by Ukrainian legislation, shall have the authority to determine the liquidation schedule and procedures.
- 12.6. The Enterprise's liquidation shall be conducted by a Liquidation Committee appointed by the Owner or other authorized body.
- 12.7. All Enterprise management functions shall be transferred to the Liquidation Committee as of the date of its creation.
- 12.8. The Liquidation Committee shall:
- publish information on the Enterprise's liquidation in an official local newspaper;
  - conduct an Enterprise asset valuation;
  - identify, and settle with, Enterprise debtors and creditors;
  - draw up a liquidation balance and submit it to the Owner or other authorized body which appointed the Liquidation Committee.
- 12.9. Assets received from the Owner by the Enterprise for use only, must be returned to the Owner. The Owner shall exercise discretion regarding disposal of the assets remaining after settlement with the State and local budgets, Enterprise employees and creditors.
- 12.10. The Enterprise's liquidation shall be considered complete, and the Enterprise liquidated, when the appropriate record is entered in the State register.

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<sup>4</sup> This provision should be deleted if there are no legal successors.

“ \_\_\_\_\_ ”  
Agricultural Service Cooperative

**FOUNDERS' AGREEMENT**

\_\_\_\_\_ Village  
\_\_\_\_\_ Rayon  
\_\_\_\_\_ Oblast

“ \_\_\_\_\_ ” \_\_\_\_\_ 200\_\_ .

The following are the Founders of “ \_\_\_\_\_ ” Agricultural Service Cooperative (hereinafter the Cooperative): <sup>1</sup>

1. \_\_\_\_\_ (full name)  
Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

2. \_\_\_\_\_ (full name)  
Passport: Series \_\_\_\_\_ # \_\_\_\_\_  
Address: \_\_\_\_\_

3. \_\_\_\_\_,  
(name of the legal entity)  
registered \_\_\_\_\_,  
“ \_\_\_\_\_ ” \_\_\_\_\_ 199\_\_, State Registration Certificate # \_\_\_\_\_

4. \_\_\_\_\_,  
(name of the legal entity)  
registered \_\_\_\_\_,  
“ \_\_\_\_\_ ” \_\_\_\_\_ 199\_\_, State Registration Certificate # \_\_\_\_\_

5. \_\_\_\_\_,  
(name of the legal entity)  
registered \_\_\_\_\_,  
“ \_\_\_\_\_ ” \_\_\_\_\_ 199\_\_, State Registration Certificate # \_\_\_\_\_

Pursuant to the Laws “*On Agricultural Cooperation*” dated 17 July, 1997 and “*On Enterprise*” dated 27 March, 1991, the Founders have agreed as follows:

**1. GENERAL PROVISIONS**

- 1.1. This Agreement sets forth the rights and obligations of the parties and governs the relations of the Founders with each other and with the Cooperative.
- 1.2. Based on the provisions herein, the Founders have agreed to jointly conduct business and establish “ \_\_\_\_\_ ” Agricultural Service Cooperative.
- 1.3. Cooperative’s full name: \_\_\_\_\_
- 1.4. Abbreviated name: \_\_\_\_\_
- 1.5. Location: \_\_\_\_\_ Village, \_\_\_\_\_ Rayon,  
\_\_\_\_\_ Oblast.

<sup>1</sup> The number of Founders stated in this template is by no means restrictive and in reality will depend on the number of legal entities and individuals with common interests which can be met by their participation in such a cooperative.

- 1.6. The Cooperative shall be established for an indefinite period of time.
- 1.7. The Cooperative's highest management body, the General Assembly, has the authority to decide on the liquidation or restructuring of the Cooperative which shall be undertaken according to the procedure established by Ukrainian legislation and the Cooperative's Charter.
- 1.8. The Cooperative shall conduct business according to Ukrainian legislation, this Agreement and the Charter.
- 1.9. The organizational structure, functions and scope of operations of Cooperative bodies shall be determined by the Charter. The Charter is subject to approval by the General Assembly and may not contradict the provisions in the Founders' Agreement.
- 1.10. The Cooperative shall be a legal entity. It may acquire property and non-property rights and appear as plaintiff or defendant before a Ukrainian law or arbitration court.
- 1.11. The main objectives, directions and scope of the Cooperative's activity shall be determined by the Charter.

## 2. STATUTORY AND INDIVISIBLE FUNDS

- 2.1. To conduct business, the Cooperative shall establish a Statutory Fund and an Indivisible Fund.
- 2.2. The Founders contribute the following:

\_\_\_\_\_  
(full name)  
share contribution - UAH \_\_\_\_\_  
plus admission fee - UAH \_\_\_\_\_;  
in cash in the amount of UAH \_\_\_\_\_, and \_\_\_\_\_ in kind,  
totaling.

\_\_\_\_\_  
(full name)  
share contribution - UAH \_\_\_\_\_  
plus admission fee - UAH \_\_\_\_\_;  
in cash in the amount of UAH \_\_\_\_\_, and \_\_\_\_\_ in kind,  
totaling.

\_\_\_\_\_  
(full name)  
share contribution - UAH \_\_\_\_\_  
plus admission fee - UAH \_\_\_\_\_;  
in cash in the amount of UAH \_\_\_\_\_, and \_\_\_\_\_ in kind,  
totaling.

- 2.3. Each Founder must fully pay in his contributions to the Statutory and Indivisible Funds no later than \_\_\_\_\_ days following the date of State registration.
- 2.4. Each member who has fully paid in his contributions to the Statutory and Indivisible Funds shall receive a certificate as proof of such payment. Such certificate shall not constitute a security.

## 3. PROFIT SHARING ARRANGEMENT

- 3.1. Profit shall be distributed among the Founders in proportion to their labor and share contributions to the Statutory Fund after tax and other mandatory payments, labor costs, deductions from Cooperative reserves, losses, creditor settlements, and other expenses have been settled.

#### 4. LIABILITY OF MEMBERS

- 4.1. Any Cooperative member shall be liable to the Cooperative for damages for failure to perform, or inadequate performance of, his obligations as provided by the Charter.

#### 5. RESOLUTION OF DISPUTES

- 5.1. The parties must attempt to resolve any disputes arising from their obligations through negotiations. If such negotiations fail, the matter must be referred to a Ukrainian law or arbitration court.

#### 6. WITHDRAWAL

- 6.1. Any member who wishes to withdraw from the Cooperative and has pending obligations at the time of withdrawal, must settle them either prior to or after withdrawal, in the period specified in the agreement between the Cooperative and such member.
- 6.2. The contribution and profit share of any withdrawing member shall be returned according to the procedure prescribed by the Charter.

#### 7. TERMINATION OF MEMBERSHIP

- 7.1. Any member who systematically fails to perform, or inadequately performs, his obligations, hinders the achievement of the Cooperative's main objectives, or terminates labor relations with the Cooperative, may be expelled from the Cooperative by a General Assembly decision.
- 7.2. Expulsion of a member from the Cooperative shall lead to actions as provided by the Charter.

#### 8. OTHER CONDITIONS

- 8.1. All issues which are not explicitly addressed in this Agreement shall be resolved by the Founders according to Ukrainian legislation and the Cooperative's Charter.
- 8.2. Any changes or amendments to the Charter shall come into force only when executed in writing and signed by all Founders or their representatives.
- 8.3. If any provision in the Charter becomes null and void for any reason, all other provisions shall remain in force.
- 8.4. This Agreement is concluded for an indefinite period of time, becomes effective upon signing, and will remain in force until termination.
- 8.5. This Agreement is executed in \_\_\_\_\_ copies, one of which shall be kept on record with the \_\_\_\_\_ Notary Public's office, with the remaining copies issued to the Founders.

The Founders:

- 1) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 2) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 3) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 4) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 5) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)

*(all Founders must sign)*

“ \_\_\_\_\_ ”  
**Agricultural Service Cooperative**

## CHARTER

### 1. GENERAL PROVISIONS

- 1.1. “ \_\_\_\_\_ ” Agricultural Service Cooperative (hereinafter the Cooperative) is a voluntary association of individuals and legal entities created to provide services to members through mutual cooperation.
- 1.2. The Cooperative shall carry out its activities pursuant to the Law “*On Agricultural Cooperation*” dated 17 July, 1997, Ukrainian legislation and this Charter.
- 1.3. Cooperative’s full name: \_\_\_\_\_
- 1.4. Abbreviated name: \_\_\_\_\_
- 1.5. Location: \_\_\_\_\_
- 1.6. The Cooperative shall be a legal entity, with its own balance, currency and other accounts with banking institutions, seal, stamps, letterheads and other requirements.
- 1.7. The Cooperative’s establishment shall be complete, and it shall acquire the rights of a legal entity, after State registration. The Cooperative may enter into agreements, acquire property and non-property rights, assume liabilities, and act as plaintiff or defendant before a Ukrainian court of law or arbitration to fulfill the objective stated in this Charter. Agreements concluded on behalf of the Cooperative prior to its State registration shall be deemed valid only if they are subsequently approved by the Cooperative’s General Assembly.
- 1.8. The Cooperative shall acquire and exercise all such ownership, lease or use rights over land and property as may be required to fulfill the objective stated in this Charter.
- 1.9. The Cooperative, on its own, or together with other legal entities or individuals, may establish subsidiaries (enterprises, partnerships and cooperatives) having the status of legal entities, place funds into bonds, bank certificates and other securities in circulation, trade on commodity and stock exchanges, organize auctions, exhibitions, fairs, and participate in associations, concerns, consortiums and other unions.
- 1.10. The Cooperative shall be entitled to create branches, representative offices and other units both within and outside of Ukraine which are without legal entity status and operate under regulations approved by the Cooperative.
- 1.11. The Cooperative may engage in foreign economic operations as may be required in order to achieve its objectives.
- 1.12. Cooperative members shall not be liable for the Cooperative’s obligations, nor shall the Cooperative be liable for those of its members.
- 1.13. The Cooperative may hire employees who are not Cooperative members.
- 1.14. The Cooperative is created for an indefinite period of time.

### 2. OBJECTIVE AND SCOPE OF ACTIVITY

- 2.1. The Cooperative’s main objective is to provide services related to the production, processing and distribution of crop, livestock, timber and fishery products. The Cooperative shall have the right to perform any activity both in Ukraine and abroad not prohibited by Ukrainian legislation.

- 2.2. The Cooperative's scope of operations is as follows: <sup>1</sup>
- 2.2.1. Other activities not prohibited under Ukrainian legislation.
- 2.3. The Cooperative shall obtain the appropriate licenses and permits to engage in activities subject to licensing under Ukrainian legislation.

### 3. MEMBERSHIP

- 3.1. The Cooperative's members are its founders, or those admitted according to the procedure established in this Charter who have not terminated their membership.
- 3.2. Cooperative members may be legal entities and individuals who accept, and comply with the requirements of, the Charter, form funds, and provide services as part of the Cooperative's economic activities. Only agricultural manufacturers (farm enterprises or individual farmers) may become Cooperative members.
- 3.3. An individual may become a Cooperative member upon reaching the age of sixteen.
- 3.4. Any legal entity or individual may be a member of several cooperatives involved in various types of business activities.
- 3.5. To become a member, an individual must submit a Cooperative admission application, pay an admission fee and contribute a share.
- 3.6. The Cooperative Board shall have the exclusive right to admit new members. A membership application shall be considered within thirty (30) days of its receipt. An applicant shall acquire the rights and duties of a member immediately upon a Board resolution.
- 3.7. The General Assembly must approve the Board's resolution to admit a new member. An Assembly rejection of such resolution terminates that individual's membership.
- 3.8. An individual admitted to the Cooperative must pay his admission fee and contribute his share within the period specified by the Board, but no later than \_\_\_\_\_ months following his admission.
- 3.9. The admission fee shall be UAH \_\_\_\_\_.
- 3.10. The size of the share contribution shall be determined by the Board depending on the extent of the member's expected participation in the Cooperative's business activity.
- 3.11. The member may pay his admission fee and contribute his share in the form of buildings, premises, equipment, and other property; securities; rights to utilize land, water and other natural resources; ownership rights in buildings, structures, equipment, or any other such rights (including intellectual property), and cash, including foreign currencies.
- 3.12. The value of the property paid as an admission fee or contributed as a share shall be agreed upon between the admitted individual and the Board.
- 3.13. The General Assembly may decide to index share contributions for inflation.
- 3.14. Should the Cooperative incur a loss during the business year, the General Assembly may decide to reduce the Statutory Fund and individual shares.
- 3.15. Termination of membership.  
Cooperative membership ceases in the event of:
- voluntary withdrawal from the Cooperative;
  - exclusion from the Cooperative according to Charter procedures as required;
  - General Assembly rejection of Board decision on admission to Cooperative;
  - liquidation of member (if member is a legal entity);
  - death of an individual member;
  - restructuring of Cooperative into non-cooperative legal entity;
  - liquidation of the Cooperative.
- 3.16. If a Cooperative member voluntarily terminates his membership, he shall provide the Board with at least sixty (60) days prior notice of such termination. The Board must con-

<sup>1</sup> When preparing Charters for Cooperatives, it is advisable to include types of activity the Cooperative is going to pursue. See *Agricultural Limited Liability Founders' Agreement*, paragraph 9, points 1-26.

- sider any termination notice within ninety (90) days of its submission. The date of the Board's membership termination decision shall be deemed the actual termination date.
- 3.17. A Cooperative member may be expelled by a General Assembly resolution in the following cases:
- failure to participate in the Cooperative's business activity for more than \_\_ days;
  - failure to pay the admission fee or contribute a share within the specified period.
- An expelled member may appeal the expulsion decision before a Ukrainian court of law.
- 3.18. Upon termination of membership, a former member may receive his share contribution, and is entitled to a share in the current year's income generated by the Cooperative prior to such termination.
- 3.19. A Cooperative member shall have the right to demand the return of his property contributed as a share.
- 3.20. The Cooperative must issue a property share within ninety (90) days following the end of the business year to a person who terminates his membership.
- 3.21. A share contribution made in cash must be repaid in cash. A share contribution made in kind may be repaid in kind or in cash, subject to Board approval.
- 3.22. Property transferred by a member to the Cooperative for use only, and whose title did not pass, shall be returned without remuneration.
- 3.23. The list of property contributed by Cooperative members is determined by agreement between the members and the Board. In the event of a dispute regarding the ownership of the property, it shall be settled through negotiations between the parties. If they fail to settle the dispute, the matter shall be settled in a Ukrainian court of law.
- 3.24. A Cooperative member shall have the right to:
- use the Cooperative's services;
  - participate in management of Cooperative affairs, vote in the Cooperative's General Assembly, elect and be elected to Cooperative management bodies. Members which are legal entities shall exercise these right through their authorized representatives;
  - receive Cooperative payments — a portion of the Cooperative's income subject to distribution among members;
  - receive his share when terminating Cooperative membership according to Charter procedures;
  - submit his proposals to simplify the Cooperative's activities and improve the performance of the Cooperative's Board, specialists, officers and Audit Committee;
  - be employed by the Cooperative;<sup>2</sup>
  - enter into contractual, lease and other relations with the Cooperative.
- 3.25. Cooperative members shall be obligated to:
- pay the admission fee and contribute their share on time;
  - abide by the Cooperative Charter and comply with any and all General Assembly and Cooperative Board resolutions and instructions of the Executive Director;
  - participate in the Cooperative's business activities.

#### 4. ASSOCIATE MEMBERSHIP

- 4.1. The Cooperative shall provide for associate membership.<sup>3</sup> Any legal entity or individual who agrees to comply with the Cooperative's Charter, has contributed a share, or otherwise furthered the Cooperative's cause, may become an associate member.
- 4.2. An associate member of the Cooperative shall have the right to:
- an advisory vote in the General Assembly;
  - receive part of the Cooperative's income in proportion to his share contribution;

<sup>2</sup> If such member is an individual.

<sup>3</sup> Ukrainian legislation provides for two types of cooperative membership: full and associate. While associate members are not permitted the same voting rights as full members, they have priority over full members in liquidation. See clause 4.7.

- priority over full members to receive his share if the Cooperative terminate its activities;
  - receive services from the Cooperative.
- 4.3. An individual may become a Cooperative associate member according to the procedure established for full Cooperative members. Associate members are not obligated to pay an admission fee.
- 4.4. If a full member no longer participates in the Cooperative's business activities, such member shall either terminate his membership, or become an associate member.
- 4.5. Any full member may apply to the Board for a decision to change his membership from full to associate status. Associate membership is obtained as of the Board's decision date.
- 4.6. An associate member shall have the right to withdraw from the Cooperative and receive his share according to the procedure applicable to Cooperative members.
- 4.7. In the event of the Cooperative's liquidation, associate members shall have a priority right over full members to receive their shares and respective portions of the Cooperative's income.

## 5. MANAGEMENT

- 5.1. The Cooperative shall be managed on the basis of self-government, democracy, transparency, and the active participation of its members in resolving issues related to its business activities.
- 5.2. General Assembly
- 5.2.1. The Cooperative's General Assembly shall be its highest management body.
- 5.2.2. The General Assembly shall:
- approve the Charter and changes and amendments thereto;
  - elect and dismiss the Cooperative's Head, Board and Audit Committee, and hear their reports;
  - elect the Supervisory Council's Chairman and members;
  - approve Board decisions on admission of new members;
  - decide to expel members from the Cooperative;
  - adopt internal labor regulations, remuneration plans, financing procedures, and any other rules and regulations together with amendments and supplements, as may be required;
  - discuss and approve the Cooperative's annual and long-term economic and social development plans;
  - discuss and approve the Cooperative's annual report and balance;
  - approve procedures for income structuring and distribution, and regarding the types, sizes and use of the Cooperative's funds and reserves;
  - approve the staffing schedule;
  - decide whether the Cooperative participate in joint stock companies, associations, concerns, and other enterprises, organizations and representative bodies;
  - decide to transfer Cooperative funds to centralized funds;
  - decide to create subsidiaries;
  - decide to reorganize or liquidate the Cooperative;
  - decide any issues related to the Cooperative's activities under this Charter.
- 5.2.3. The General Assembly shall be called annually following the end of the business year. An extraordinary General Assembly can be called by a Board resolution or initiated by at least thirty (30) percent of the members. The Board must call the General Assembly and notify the members of the Assembly's place, time and agenda at least ten (10) days prior to its date.
- 5.2.4. The Cooperative's Head shall chair the General Assembly.
- 5.2.5. The General Assembly may consider adopting a decision on any issue provided at least fifty (50) percent of Cooperative members are present. A decision is adopted if at least one-half of the members present vote for it.

### 5.3. Board

- 5.3.1. The Cooperative Board shall consist of \_\_\_\_\_ Cooperative members elected by the General Assembly for \_\_\_\_\_ years.
- 5.3.2. The Cooperative Board shall:
- develop and submit for the General Assembly's approval the directions of the Cooperative's development;
  - call General Assemblies and ensure compliance with its decisions;
  - resolve the most important business issues;
  - submit its decisions on admission of new members and membership termination for General Assembly approval;
  - conclude employment contracts with hired executive directors and evaluate their performance;
  - ensure the safekeeping of Cooperative property;
  - arrange independent audits, if necessary;
  - organize Cooperative member training and coordinate cooperation with Ukrainian and foreign entities.
- 5.3.3. Board members may elect from among themselves the Board's Vice Chairman and Secretary according to the Cooperative's Charter.
- 5.3.4. As a rule, Board members shall not be entitled to remuneration. However, the General Assembly may decide to compensate Board members for their work in extraordinary circumstances.
- 5.3.5. The Board shall meet at least once every thirty (30) days. Board decisions shall be adopted by majority vote provided that two-thirds of the Board members are present at the Assembly.
- 5.3.6. The Cooperative's Head shall be the Board's Chairman.

### 5.4. Executive Director

- 5.4.1. The Executive Director shall act according to his employment contract with the Board. He shall form the Executive Directorate and perform functions delegated to him by the Board.
- 5.4.2. The Executive Director may not be a Cooperative member.
- 5.4.3. The Executive Director may:
- act without a power of attorney on behalf of the Cooperative within his scope of competence, issue orders and instructions in compliance with labor legislation, administer the Cooperative's property and funds, manage loans, represent the Cooperative in its relations with Ukrainian and foreign legal entities and individuals, sign agreements in Ukraine and abroad, issue powers of attorney for signing such agreements, and perform other legal acts;
  - sign employment contracts with employees, appoint and transfer Cooperative members to various positions in the Cooperative, its branches, representative offices and other divisions, determine their salaries, impose penalties, and dismiss any employee or officer, subject to agreement by the Cooperative's Board;
  - represent the Cooperative before State bodies, Ukrainian law and arbitration courts, and any other State and public institutions.
- 5.4.4. The Deputy Executive Director shall assume the duties of the Executive Director should the latter be absent for whatever reason, whether due to illness, a business trip or holiday.

### 5.5. Supervisory Council

- 5.5.1. The Supervisory Council shall be elected to control and supervise the Cooperative's executive body. A Supervisory Council must be created if the Cooperative has more than fifty (50) members.
- 5.5.2. The General Assembly shall elect Cooperative members to the Supervisory Council which shall include from three to five persons.
- 5.5.3. The General Assembly shall elect the Council's Chairman.
- 5.5.4. A Supervisory Council member may not sit on the Cooperative's Board or Audit Committee.

## 5.6. Audit Committee

- 5.6.1. The Audit Committee is elected to review the Cooperative's financial and business activities.
- 5.6.2. The Audit Committee shall report to the General Assembly.
- 5.6.3. The Audit Committee shall be elected by the General Assembly for the term of \_\_\_\_\_ years and consist of \_\_\_\_\_ Cooperative members.
- 5.6.4. A Board member may not sit on the Audit Committee.

## 6. PROPERTY AND LANDS

### 6.1. Property

- 6.1.1. The Cooperative shall own buildings, premises, cash, member property share contributions, products manufactured by the Cooperative, proceeds generated by the sale of goods or any other activity provided for by this Charter, and all other legally acquired assets.
- 6.1.2. The Cooperative's property shall be divided into the Statutory Fund and Indivisible Fund.
- 6.1.3. The Indivisible Fund shall be created from Cooperative property and admission fees but shall not include Cooperative member share contributions.
- 6.1.4. The size of contributed member shares shall be determined by the Board based on the expected participation of members in the Cooperative's business activities.
- 6.1.5. The Cooperative shall derive its financial resources from revenues generated by the sale of products manufactured, work performed, and services provided by the Cooperative, Cooperative member share and other contributions, credits and any other acquisitions not prohibited by Ukrainian legislation.

### 6.2. Lands

- 6.2.1. The Cooperative's land shall include owned and leased lands purchased or acquired, as well as State- or communally-owned lands provided to the Cooperative for permanent or temporary use.
- 6.2.2. If the Cooperative joins a cooperative association, the Cooperative shall retain title to its lands.
- 6.2.3. No land parcel leased to the Cooperative or provided to it for its use can be attached, nor proceeded against by any creditor.

### 6.3. Liability

- 6.3.1. The Cooperative shall be liable for its obligations with all its assets. The liability of members under obligation to the Cooperative shall be limited to the size of their share contributions.
- 6.3.2. The Cooperative shall not be liable for the obligations of its members.

### 6.4. Payments and dividends

- 6.4.1. A part of the income generated by the Cooperative from the provision of services, price mark-ups charged on sales, or discounts received from suppliers, is subject to distribution among members in the form of Cooperative payments in proportion to their participation in the Cooperative's business activities.
- 6.4.2. Calculation of the amount payable per share as determined by the General Assembly shall be carried out after the end of the calendar year on the basis of retained earnings left at the Cooperative's disposal, and taking into account the need to create a Reserve Fund for Cooperative development.
- 6.4.3. The Cooperative's General Assembly may decide to issue share dividends per share in the form of cash, securities, in kind payments, or by increasing the value of members' shares.

## 7. BUSINESS ACTIVITIES

- 7.1. The Cooperative, in its sole discretion, and according to this Charter, shall identify the main directions of its activity, and develop business and action plans.
- 7.2. The Cooperative shall, in its sole discretion, or in agreement with the customer, independently establish prices for products and property offered for sale, and tariffs for services offered.
- 7.3. Relations between the Cooperative and other enterprises, organizations, entities and individuals in all spheres of business activity, shall be governed by contracts between the parties.
- 7.4. Material, labor and other costs shall be subtracted from the Cooperative's revenues.
- 7.5. The following payments shall also be made from revenues:
  - taxes other than profit taxes and other mandatory duties payable to State and local budgets;
  - loan repayments;
  - losses;
  - contributions to Cooperative funds;
  - Cooperative payments;
  - share payments for members' contributions.

## 8. RELATIONS WITH THE STATE

- 8.1. Cooperative activities shall be controlled by the appropriate State bodies within their competence as specified by Ukrainian legislation.
- 8.2. The Cooperative shall be indemnified by State bodies for any losses resulting from compliance with State body directives, or those of their officials, which infringe on the Cooperative's rights, or from State bodies' improper performance of or failure to perform, their functions according to legislation. Disputes related to indemnification shall be settled by a Ukrainian law or arbitration court.
- 8.3. The Cooperative shall be taxed according to Ukrainian tax legislation.
- 8.4. The Cooperative shall maintain accounting records describing its performance and prepare statistical reports according to procedures specified by Ukrainian legislation.

## 9. LABOR RELATIONS

- 9.1. Labor relations between Cooperative members shall be regulated by the Law "On Agricultural Cooperation" dated 17 July, 1997, the *Labor Code*, this Charter and internal labor regulations.
- 9.2. The Cooperative, at its sole discretion, shall determine the forms and the system of employee remuneration, ensuring compliance with the standards and guarantees established by Ukrainian legislation.
- 9.3. The Cooperative shall ensure compliance with labor safety rules and standards, and sanitary requirements as required by Ukrainian legislation.
- 9.4. The Cooperative shall be liable to members or employees according to Ukrainian legislation for any injury or disability suffered while on duty.

## 10. RESTRUCTURING AND LIQUIDATION

- 10.1. If the General Assembly so resolves, the Cooperative may be restructured into an entity of any other legal form according to the procedure outlined by the Law "On Agri-

*cultural Cooperation*" dated 17 July, 1997, and this Charter. The Cooperative shall terminate its activities immediately after the restructuring. All the Cooperative's rights and obligations shall be assumed by its legal successors in the event of its restructuring.<sup>3</sup>

- 10.2. The Cooperative shall be liquidated in the following cases:
  - a General Assembly resolution;
  - a decision of a Ukrainian law or arbitration court.
- 10.3. Liquidation shall be conducted by a Liquidation Committee appointed by the General Assembly or, if the decision to liquidate the Cooperative was made by a Ukrainian law or arbitration court, by the Liquidation Committee appointed by the court rendering the decision.
- 10.4. Immediately after its appointment, the Liquidation Committee shall assume all authority to manage Cooperative affairs.
- 10.5. Within three (3) days after its appointment, the Liquidation Committee shall publish information on the Cooperative's liquidation in an official (national or regional) newspaper stating the deadline for creditors to submit their claims. The Liquidation Committee shall perform all preparatory and organizational work, compile a liquidation balance and submit it to the body that decided on the liquidation. The completeness and reliability of the liquidation balance must be confirmed by auditors.
- 10.6. The Cooperative's property remaining after settlement with the State and local budgets, banks and other creditors shall be distributed among Cooperative members in proportion to the size of their shares.
- 10.7. The Cooperative's liquidation shall be considered complete, and the Cooperative liquidated, when the appropriate record is entered in the State register.

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<sup>3</sup> If the entity is not a legal successor of the Cooperative, this sentence should be deleted.

“ \_\_\_\_\_ ”

**Agricultural Production Cooperative**

**FOUNDERS' AGREEMENT**

\_\_\_\_\_ Village  
\_\_\_\_\_ Rayon  
\_\_\_\_\_ Oblast

“ \_\_\_\_\_ ” \_\_\_\_\_ 200\_ .

The following are the Founders<sup>1</sup> of the “ \_\_\_\_\_ ” Agricultural Production Cooperative (hereinafter the Cooperative):

1. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_ Address: \_\_\_\_\_

2. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_ Address: \_\_\_\_\_

3. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_ Address: \_\_\_\_\_

4. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_ Address: \_\_\_\_\_

5. \_\_\_\_\_  
(full name)

Passport: Series \_\_\_\_\_ # \_\_\_\_\_ Address: \_\_\_\_\_

*(all the Founders must be listed)*

Pursuant to the Laws “*On Agricultural Cooperation*” dated 17 July, 1997, “*On Enterprise*” dated 27 March, 1991 and “*On Entrepreneurial Activity*” dated 7 February, 1991, the Founders have agreed as follows:

<sup>1</sup> A comparison between the Agricultural Production Cooperative and the Collective Agricultural Enterprise (CAE) indicates that these two legal forms of agricultural business have many similarities in terms of their internal organization. The experience of land reform in Ukraine clearly indicates the CAE as a legal structure to be incapable of functioning efficiently in a market economy. In countries with advanced market economics, agricultural cooperatives have also failed to gain ground. However, according to the ALSP experience in Ukraine, restructuring of CAEs into cooperatives may be justified when such cooperatives remain relatively small (3 - 7 individuals) and are created on the basis of farm enterprises not involved in crop operations.

## 1. GENERAL PROVISIONS

- 1.1. This Agreement sets forth the rights and obligations of the parties and governs the relations of the Founders with each other and with the Cooperative.
- 1.2. Based on the provisions herein, the Founders have agreed to jointly conduct business by merging their assets and establish " \_\_\_\_\_ " Agricultural Production Cooperative.
- 1.3. Cooperative's full name: \_\_\_\_\_
- 1.4. Abbreviated name: \_\_\_\_\_
- 1.5. Location: \_\_\_\_\_ Village, \_\_\_\_\_  
Rayon, \_\_\_\_\_ Oblast.
- 1.6. The Cooperative shall be established for an indefinite period of time.
- 1.7. The Cooperative's highest management body, the General Assembly, has the authority to decide on the liquidation or restructuring of the Cooperative which shall be undertaken according to the procedure established by Ukrainian legislation and the Cooperative's Charter.
- 1.8. The Cooperative shall conduct business according to Ukrainian legislation, this Agreement and the Charter.
- 1.9. The organizational structure, functions and scope of operations of Cooperative bodies shall be determined by the Charter. The Charter is subject to approval by the General Assembly and may not contradict the provisions in the Founders' Agreement.
- 1.10. The Cooperative shall be a legal entity. It may acquire property and non-property rights and appear as plaintiff or defendant before a Ukrainian law or arbitration court.
- 1.11. The main objectives, directions and scope of the Cooperative's activity shall be determined by the Charter.

## 2. STATUTORY AND INDIVISIBLE FUNDS

- 2.1. To conduct business, the Cooperative shall establish a Statutory Fund and an Indivisible Fund.
- 2.2. The Founders contribute the following:

\_\_\_\_\_  
(full name)  
share contribution - UAH \_\_\_\_\_  
plus admission fee - UAH \_\_\_\_\_;  
in cash in the amount of UAH \_\_\_\_\_, and \_\_\_\_\_ in kind, totaling \_\_\_\_\_ UAH.

\_\_\_\_\_  
(full name)  
share contribution - UAH \_\_\_\_\_  
plus admission fee - UAH \_\_\_\_\_;  
in cash in the amount of UAH \_\_\_\_\_, and \_\_\_\_\_ in kind, totaling \_\_\_\_\_ UAH.

\_\_\_\_\_  
(full name)  
share contribution - UAH \_\_\_\_\_  
plus admission fee - UAH \_\_\_\_\_;  
in cash in the amount of UAH \_\_\_\_\_, and \_\_\_\_\_ in kind, totaling \_\_\_\_\_ UAH.

*(All the Founders shall be listed together with their shares in the Statutory Fund.)*

- 2.3. Each Founder must fully pay in his contributions to the Statutory and Indivisible Funds no later than \_\_\_\_\_ days following the date of State registration.
- 2.4. Each member who has fully paid in his contributions to the Statutory and Indivisible Funds shall receive a certificate as proof of such payment. Such certificate shall not constitute a security.

### **3. PROFIT SHARING ARRANGEMENT**

- 3.1. Profit shall be distributed among the Founders in proportion to their labor and share contributions to the Statutory Fund after tax and other mandatory payments, labor costs, deductions from Cooperative reserves, losses, creditor settlements, and other expenses have been settled.

### **4. LIABILITY OF MEMBERS**

- 4.1. Any Cooperative member shall be liable to the Cooperative for damages for failure to perform, or inadequate performance of, his obligations as provided by the Charter.

### **5. RESOLUTION OF DISPUTES**

- 5.1. The parties must attempt to resolve any disputes arising from their obligations through negotiations. If such negotiations fail, the matter must be referred to a Ukrainian law or arbitration court.

### **6. WITHDRAWAL**

- 6.1. Any member who wishes to withdraw from the Cooperative and has pending obligations at the time of withdrawal, must settle them either prior to or after withdrawal, in the period specified in the agreement between the Cooperative and such member.
- 6.2. The contribution and profit share of any withdrawing member shall be returned according to the procedure prescribed by the Charter.

### **7. TERMINATION OF MEMBERSHIP**

- 7.1. Any member who systematically fails to perform, or inadequately performs, his obligations, hinders the achievement of the Cooperative's main objectives, or terminates labor relations with the Cooperative, may be expelled from the Cooperative by a General Assembly decision.
- 7.2. Expulsion of a member from the Cooperative shall lead to actions as provided by the Charter.

### **8. OTHER CONDITIONS**

- 8.1. All issues which are not explicitly addressed in this Agreement shall be resolved by the Founders according to Ukrainian legislation and the Cooperative's Charter.
- 8.2. Any changes or amendments to the Charter shall come into force only when executed in writing and signed by all Founders or their representatives.

**1.12.**

- 8.3. If any provision in the Charter becomes null and void for any reason, all other provisions shall remain in force.
- 8.4. This Agreement is concluded for an indefinite period of time, becomes effective upon signing, and will remain in force until termination.
- 8.5. This Agreement is executed in \_\_\_\_\_ copies, one of which shall be kept on record with the \_\_\_\_\_ Notary Public's office, with the remaining copies issued to the Founders.

**The Founders:**

- 1) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 2) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 3) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 4) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)
- 5) \_\_\_\_\_ signature \_\_\_\_\_  
(full name)

*(all Founders must sign)*

“ \_\_\_\_\_ ”

## Agricultural Production Cooperative

### CHARTER

#### 1. GENERAL PROVISIONS

- 1.1. “ \_\_\_\_\_ ” Agricultural Production Cooperative (hereinafter the Cooperative) is a voluntary association of individuals and legal entities created to produce agricultural, forestry and fishery goods.
- 1.2. The Cooperative shall carry out its activities pursuant to the Law “*On Agricultural Cooperation*” dated 17 July, 1997, Ukrainian legislation and this Charter.
- 1.3. Cooperative’s full name: \_\_\_\_\_
- 1.4. Abbreviated name: \_\_\_\_\_
- 1.5. Location: \_\_\_\_\_
- 1.6. The Cooperative shall be a legal entity, with its own balance, currency and other accounts with banking institutions, seal, stamps, letterheads and other requirements.
- 1.7. The Cooperative’s establishment shall be complete, and it shall acquire the rights of a legal entity, after State registration. The Cooperative may enter into agreements, acquire property and non-property rights, assume liabilities, and act as plaintiff or defendant before a Ukrainian law or arbitration court to fulfill the objective stated in this Charter.  
Agreements concluded on behalf of the Cooperative prior to its State registration shall be deemed valid only if they are subsequently approved by the Cooperative’s General Assembly.
- 1.8. The Cooperative shall acquire and exercise all such ownership, lease or use rights over land and property as may be required to fulfill the objective stated in this Charter.
- 1.9. The Cooperative, on its own, or together with other legal entities or individuals, may establish subsidiaries (enterprises, partnerships and cooperatives) having the status of legal entities, place funds into bonds, bank certificates and other securities in circulation, trade on commodity and stock exchanges, organize auctions, exhibitions, fairs, and participate in associations, concerns, consortiums and other unions.
- 1.10. The Cooperative shall be entitled to create branches, representative offices and other units both within and outside of Ukraine which are without legal entity status and operate under regulations approved by the Cooperative.
- 1.11. The Cooperative may engage in foreign economic operations as may be required in order to achieve its objectives.
- 1.12. Cooperative members shall not be liable for the Cooperative’s obligations, nor shall the Cooperative be liable for those of its members.
- 1.13. The Cooperative may hire employees who are not Cooperative members.
- 1.14. The Cooperative is created for an indefinite period of time.

#### 2. OBJECTIVE AND SCOPE OF ACTIVITY

- 2.1. The Cooperative’s main objective is to produce, process and sell agricultural products in order to generate profits and to satisfy the Cooperative members’ economic and social needs.

- 2.2. The Cooperative shall produce, process and sell agricultural products and provide services to agricultural commodity producers. The Cooperative shall have the right to perform any activity both in Ukraine and abroad not prohibited by Ukrainian legislation.
- 2.3. The Cooperative's scope of operations is as follows: <sup>1</sup>
- 2.4. The Cooperative shall obtain the appropriate licenses and permits to engage in activities subject to licensing under Ukrainian legislation.

### 3. MEMBERSHIP

- 3.1. The Cooperative's members are its founders, or those admitted according to the procedure established in this Charter who have not terminated their membership.
- 3.2. Cooperative members shall be individuals who accept, and comply with the requirements of, the Charter, form funds, and contribute their labor to the Cooperative's economic activities.
- 3.3. An individual may become a Cooperative member upon reaching the age of sixteen.
- 3.4. To become a member, an individual must submit a Cooperative admission application, pay an admission fee and contribute a share.
- 3.5. The Cooperative Board shall have the exclusive right to admit new members. A membership application shall be considered within thirty (30) days of its receipt. An applicant shall acquire the rights and duties of a member immediately upon a Board resolution.
- 3.6. The General Assembly must approve the Board's resolution to admit a new member. An Assembly rejection of such resolution terminates that individual's membership.
- 3.7. An individual admitted to the Cooperative must pay his admission fee and contribute his share within the period specified by the Board, but no later than \_\_\_\_\_ months following his admission.
- 3.8. The admission fee shall be UAH \_\_\_\_\_.
- 3.9. Each member shall contribute an equal share amounting to UAH \_\_\_\_\_. If a larger amount is contributed, the surplus shall be regarded as an additional share.
- 3.10. The member may pay his admission fee and contribute his share in the form of buildings, premises, equipment, and other property; securities; rights to utilize land, water and other natural resources; ownership rights in buildings, structures, equipment, or any other such rights (including intellectual property), and cash, including foreign currencies.
- 3.11. The value of the property paid as an admission fee or contributed as a share shall be agreed upon between the admitted individual and the Board.
- 3.12. The General Assembly may decide to index share contributions for inflation.
- 3.13. Should the Cooperative incur a loss during the business year, the General Assembly may decide to reduce the Statutory Fund and individual shares.
- 3.14. Termination of membership.
  - Cooperative membership terminates in the event of:
    - voluntary withdrawal from the Cooperative;
    - exclusion from the Cooperative according to Charter procedures as required;
    - General Assembly rejection of Board Decision on admission to Cooperative;
    - death of Cooperative member;
    - restructuring of Cooperative into non-cooperative legal entity, and liquidation.

<sup>1</sup> When preparing Charters for Agricultural Production Cooperatives, it is advisable to include types of activity the Farm is going to pursue. See *Agricultural Limited Liability Company Founders' Agreement*, paragraph 9, points 1-26.

- 3.15. If a Cooperative member voluntarily terminates his membership, he shall provide the Board with at least sixty (60) days prior notice of such termination. The Board must consider any termination notice within ninety (90) days of its submission. The date of the Board's membership termination decision shall be deemed the actual termination date.
- 3.16. A Cooperative member may be expelled by a General Assembly resolution in the following cases:
- termination of member's labor contribution to Cooperative, unless such member becomes an associate member;
  - failure to pay the admission fee or contribute a share within the specified period. An expelled member may appeal the expulsion decision before a Ukrainian court of law.
- 3.17. Upon termination of membership, a former member may receive his share contribution and is entitled to a share in the current year's profits generated by the Cooperative prior to such termination.
- 3.18. A Cooperative member shall have the right to demand the return of his property contributed as a share.
- 3.19. The Cooperative must issue a property share within ninety (90) days following the end of the business year to a person who terminates his membership.
- 3.20. A share contribution made in cash must be repaid in cash. A share contribution made in kind may be repaid in kind or in cash, subject to Board approval.
- 3.21. Property transferred by a member to the Cooperative for use only, and whose title did not pass, shall be returned without remuneration.
- 3.22. The list of property contributed by Cooperative members is determined by agreement between the members and the Board. In the event of a dispute regarding the ownership of the property, it shall be settled through negotiations between the parties. If they fail to settle the dispute, the matter shall be settled in a Ukrainian court of law.
- 3.23. A member of the Cooperative shall have the right to:
- use the Cooperative's services;
  - participate in management of Cooperative affairs, vote in the Cooperative's General Assembly, elect and be elected to Cooperative management bodies;
  - receive Cooperative payments - a portion of the Cooperative's profits subject to distribution among members according to their labor contribution;<sup>2</sup>
  - receive his share when terminating Cooperative membership according to Charter procedures;
  - submit his proposals to simplify the Cooperative's activities and improve the performance of the Cooperative's Board, specialists, officers and Audit Committee;
  - be employed by the Cooperative;
  - enter into contractual, lease and other relations with the Cooperative.
- 3.24. Cooperative members shall be obligated to:
- pay the admission fee and contribute their share on time;
  - abide by the Cooperative Charter and comply with any and all General Assembly and Cooperative Board resolutions and instructions of the Executive Director;
  - participate in the Cooperative's business activities.

#### 4. ASSOCIATE MEMBERSHIP

- 4.1. The Cooperative shall provide for associate membership.<sup>3</sup> Any individual who agrees to comply with the Cooperative's Charter, has contributed a share, or otherwise furthered the Cooperative's cause, may become an associate member.

<sup>2</sup> Generally calculated in hours or days worked.

<sup>3</sup> Ukrainian legislation provides for two types of cooperative membership: full and associate. While associate members are not permitted the same voting rights as full members, they have a priority over full members in liquidation. See clause 4.7.

- 4.2. An associate member of the Cooperative shall have the right to:
  - an advisory vote in the General Assembly;
  - receive part of the Cooperative's profit in proportion to his share contribution;
  - priority over full members to receive his share if the Cooperative terminates its activities.
- 4.3. An individual may become a Cooperative associate member according to the procedure established for full Cooperative members. Associate members are not obligated to pay an admission fee.
- 4.4. If a full member terminates his labor relations with the Cooperative for valid reasons, such member shall either terminate his membership, or become an associate member.
- 4.5. Any full member may apply to the Board for a decision to change his membership from full to associate status. Associate membership is obtained as of the Board's decision date.
- 4.6. An associate member shall have the right to withdraw from the Cooperative and receive his share according to the procedure applicable to Cooperative members.
- 4.7. In the event of the Cooperative's liquidation, associate members shall have a priority right over full members to receive their shares and respective portions of the Cooperative's profit.

## 5. MANAGEMENT

- 5.1. The Cooperative shall be managed on the basis of self-government, democracy, transparency, and the active participation of its members in resolving issues related to its business activities.
- 5.2. **General Assembly**
  - 5.2.1. The Cooperative's General Assembly shall be its highest management body.
  - 5.2.2. The General Assembly shall:
    - approve the Charter and changes and amendments thereto;
    - elect and dismiss the Cooperative's Head, Board and Audit Committee, and hear their reports;
    - elect the Supervisory Council's Chairman and members;
    - approve Board decisions on admission of new members;
    - decide to expel members from the Cooperative;
    - adopt internal labor regulations, remuneration plans, financing procedures, and any other rules and regulations together with amendments and supplements, as may be required;
    - discuss and approve the Cooperative's annual and long-term economic and social development plans;
    - discuss and approve the Cooperative's annual report and balance;
    - approve procedures for income structuring and distribution, and regarding the types, sizes and use of the Cooperative's funds and reserves;
    - approve the staffing schedule;
    - decide whether the Cooperative participates in joint stock companies, associations, concerns, and other enterprises, organizations and representative bodies;
    - decide to transfer Cooperative Funds to centralized funds;
    - decide to create subsidiaries;
    - decide to reorganize or liquidate the Cooperative;
    - decide any issues related to the Cooperative's activities under this Charter.
  - 5.2.3. The General Assembly shall be called annually following the end of the business year. An extraordinary General Assembly can be called by a Board resolution or initiated by at least thirty (30) percent of the members. The Board must call the General Assembly and notify the members of the Assembly's place, time and agenda at least ten (10) days prior to its date.
  - 5.2.4. The Cooperative's Head shall chair the General Assembly.

5.2.5. The General Assembly may consider adopting a decision on any issue provided at least fifty (50) percent of Cooperative members are present. A decision is adopted if at least one-half of the members present vote for it.

### 5.3. Board

5.3.1. The Cooperative Board shall consist of \_\_\_\_\_ Cooperative members elected by the General Assembly for \_\_\_\_\_ years.

5.3.2. The Cooperative Board shall:

- develop and submit for the General Assembly's approval the directions of the Cooperative's development;
- call General Assemblies and ensure compliance with its decisions;
- resolve the most important business issues;
- submit its decisions on admission of new members and membership termination for General Assembly approval;
- conclude employment contracts with hired executive directors and evaluate their performance;
- ensure the safekeeping of Cooperative property;
- arrange independent audits, if necessary;
- organize Cooperative member training and coordinate cooperation with Ukrainian and foreign entities.

5.3.3. Board members may elect from among themselves the Board's Vice Chairman and Secretary according to the Cooperative's Charter of the Cooperative.

5.3.4. As a rule, Board members shall not be entitled to remuneration. However, the General Assembly may decide to compensate Board members for their work in extraordinary circumstances.

5.3.5. The Board shall meet at least once every thirty (30) days. Board decisions shall be adopted by majority vote provided that two-thirds of the Board members are present at the Assembly.

5.3.6. The Cooperative's Head shall be the Board's Chairman.

### 5.4. Executive Director

5.4.1. The Executive Director shall act according to his employment contract with the Board. He shall form the Executive Directorate and perform functions delegated to him by the Board.

5.4.2. The Executive Director may be a Cooperative member.

5.4.3. The Executive Director may:

- act without a power of attorney on behalf of the Cooperative within his scope of competence, issue orders and instructions in compliance with labor legislation, administer the Cooperative's property and funds, manage loans, represent the Cooperative in its relations with Ukrainian and foreign legal entities and individuals, sign agreements in Ukraine and abroad, issue powers of attorney for signing such agreements, and perform other legal acts;
- sign employment contracts with employees, appoint and transfer Cooperative members to various positions in the Cooperative, its branches, representative offices and other divisions, determine their salaries, impose penalties, and dismiss any employee or officer, subject to agreement by the Cooperative's Board;
- represent the Cooperative before State bodies, Ukrainian law and arbitration courts, and any other State and public institutions.

5.4.4. The Deputy Executive Director shall assume the duties of the Executive Director should the latter be absent for whatever reason, whether due to illness, a business trip or holiday.

### 5.5. Supervisory Council

5.5.1. The Supervisory Council shall be elected to control and supervise the Cooperative's executive body. The Supervisory Council must be created if the Cooperative has more than fifty (50) members.

- 5.5.2. The General Assembly shall elect Cooperative members to the Supervisory Council which shall include from three to five persons.
- 5.5.3. The General Assembly shall elect the Council's Chairman.
- 5.5.4. A Supervisory Council member may not sit on the Cooperative's Board or Audit Committee.
- 5.6. **Audit Committee**
- 5.6.1. The Audit Committee is elected to review the Cooperative's financial and business activities of the Cooperative.
- 5.6.2. The Audit Committee shall report to the General Assembly.
- 5.6.3. The Audit Committee shall be elected by the General Assembly for the term of \_\_\_\_\_ years and consist of \_\_\_\_\_ Cooperative members.
- 5.6.4. A Board member may not sit on the Audit Committee.

## 6. PROPERTY AND LANDS

- 6.1. **Property**
- 6.1.1. The Cooperative shall own buildings, premises, cash, member property share contributions, products manufactured by the Cooperative, proceeds generated by the sale of goods or any other activity provided for by this Charter, and all other legally acquired assets.
- 6.1.2. The Cooperative's property shall be divided into the Statutory Fund and Indivisible Fund.
- 6.1.3. The Indivisible Fund shall be created from Cooperative property and admission fees but shall not include Cooperative member share contributions.
- 6.1.4. The Cooperative shall derive its financial resources from revenues generated by the sale of products manufactured, work performed, and services provided by the Cooperative, Cooperative member share and other contributions, credits and any other acquisitions not prohibited by Ukrainian legislation.
- 6.2. **Lands**
- 6.2.1. The Cooperative's land shall include owned and leased lands purchased or acquired, as well as State- or communally-owned lands provided to the Cooperative for permanent or temporary use.
- 6.2.2. If the Cooperative joins a cooperative association, the Cooperative shall retain title to its lands.
- 6.2.3. No land parcel leased to the Cooperative or provided to it for its use can be attached, nor proceeded against by any creditor.
- 6.3. **Liability**
- 6.3.1. The Cooperative shall be liable for its obligations with all its assets. The liability of members under obligation to the Cooperative shall be limited to the size of their share contributions.
- 6.3.2. The Cooperative shall not be liable for the obligations of its members.
- 6.4. **Payments and dividends**
- 6.4.1. Cooperative profits shall be partially distributed among members in proportion to their work contribution.
- 6.5. Calculation of the amount payable per share as determined by the General Assembly shall be carried out after the end of the calendar year on the basis of retained earnings left at the Cooperative's disposal, and taking into account the need to create a Reserve Fund for Cooperative development.

- 6.5.1. The Cooperative's General Assembly may decide to issue share dividends per share in the form of cash, securities, in kind payments, or by increasing the value of members' shares.

## 7. BUSINESS ACTIVITIES

- 7.1. The Cooperative, at its sole discretion, and according to this Charter, shall identify the main directions of its activity, and develop business and action plans.
- 7.2. The Cooperative shall, at its sole discretion, or in agreement with the customer, independently establish prices for products and property offered for sale, and tariffs for services offered.
- 7.3. Relations between the Cooperative and other enterprises, organizations, entities and individuals in all spheres of business activity shall be governed by contracts concluded between the parties.
- 7.4. Cooperative profits shall equal revenues generated from its business activities less all material, labor and other costs.
- 7.5. The following payments shall be made out of net profits before taxes:
- taxes other than profit and other mandatory duties payable to State and local budgets;
  - loan repayments;
  - losses;
  - contributions to Cooperative funds;
  - Cooperative payments;
  - dividend.

## 8. RELATIONS WITH THE STATE

- 8.1. Cooperative activities shall be controlled by the appropriate State bodies within their competence as specified by Ukrainian legislation.
- 8.2. The Cooperative shall be indemnified by State bodies for any losses resulting from compliance with State body directives, or those of their officials, which infringe on the Cooperative's rights, or from State bodies' improper performance of or failure to perform, their functions according to legislation. Disputes related to indemnification shall be settled by a Ukrainian law or arbitration court.
- 8.3. The Cooperative shall be taxed according to Ukrainian tax legislation.
- 8.4. The Cooperative shall maintain accounting records describing its performance and prepare statistical reports according to procedures specified by Ukrainian legislation.

## 9. LABOR RELATIONS

- 9.1. Labor relations between Cooperative members shall be regulated by the Law "On Agricultural Cooperation" dated 17 July, 1997, the *Labor Code*, this Charter and internal labor regulations.
- 9.2. The Cooperative, at its sole discretion, shall determine the forms and the system of employee remuneration, ensuring compliance with the standards and guarantees established by Ukrainian legislation.
- 9.3. The Cooperative shall ensure compliance with labor safety rules and standards, and sanitary requirements as required by Ukrainian legislation.
- 9.4. The Cooperative shall be liable to members or employees according to Ukrainian legislation for any injury or disability suffered while on duty.

## 10. RESTRUCTURING AND LIQUIDATION

- 10.1. If the General Assembly so resolves, the Cooperative may be restructured into an entity of any other legal form according to the procedure outlined by the Law "On Agricultural Cooperation" dated 17 July, 1997, and this Charter. The Cooperative shall terminate its activities immediately after the restructuring. All the Cooperative's rights and obligations shall be assumed by its legal successors in the event of its restructuring.<sup>4</sup>
- 10.2. The Cooperative shall be liquidated in the following cases:
  - a General Assembly resolution;
  - a decision of a Ukrainian law or arbitration court.
- 10.3. Liquidation shall be conducted by a Liquidation Committee appointed by the General Assembly or, if the decision to liquidate the Cooperative was made by a Ukrainian law or arbitration court, by the Liquidation Committee appointed by the court rendering the decision.
- 10.4. Immediately after its appointment, the Liquidation Committee shall assume all authority to manage Cooperative affairs.
- 10.5. Within three (3) days after its appointment, the Liquidation Committee shall publish information on the Cooperative's liquidation in an official (national or regional) newspaper stating the deadline for creditors to submit their claims. The Liquidation Committee shall perform all preparatory and organizational work, compile a liquidation balance and submit it to the body that decided on the liquidation. The completeness and reliability of the liquidation balance must be confirmed by auditors.
- 10.6. The Cooperative's property remaining after settlement with the State and local budgets, banks and other creditors shall be distributed among Cooperative members in proportion to the size of their shares.
- 10.7. The Cooperative's liquidation shall be considered complete, and the Cooperative liquidated, when the appropriate record is entered in the State register.

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<sup>4</sup> If the entity is not a legal successor of the cooperative, this sentence should be deleted.

**Legal entity  
State registration,  
re-registration**

**CERTIFICATE \***

Name \_\_\_\_\_  
(full and abbreviated name of legal entity with the mandatory identification of organizational business form)

Address \_\_\_\_\_

Single State Register of Ukrainian Enterprises and Organizations business entity Identification Code \_\_\_\_\_

Issued \_\_\_\_\_  
(name of State registration body)

State registration date \_\_\_\_\_ 200\_\_.

Single State Register of Enterprises and Organizations entry date \_\_\_\_\_ 200\_\_,  
# \_\_\_\_\_

Official: State Registrar's Office \_\_\_\_\_  
(position, last name and initials)

Seal \_\_\_\_\_  
(signature)

Change of location entries \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\* This Certificate form conforms with the Cabinet of Ministers Resolution dated 25 May, 1998 "On the Procedure of State Registration of Business Entities".

**Approved  
by Enterprise's Director**

\_\_\_\_\_  
(surname, name, patronymic)

Date: \_\_\_\_\_

**Structural Unit  
of Agricultural Enterprise,  
Company or Cooperative**

**REGULATION**

**1. GENERAL PROVISIONS**

- 1.1. " \_\_\_\_\_ " Structural Unit (hereinafter the Unit) has been established in the process of restructuring the Agricultural Enterprise, Company, or Cooperative (hereinafter the Enterprise) by decision of \_\_\_\_\_  
 \_\_\_\_\_  
 (name of enterprise body that adopted decision to establish structural unit)  
 # \_\_\_\_\_ of \_\_\_\_\_  
 (date)
- 1.2. The Unit has been established to meet the objectives of the Enterprise's Charter and operates on the basis of Ukrainian legislation, the Enterprise's Charter and this Regulation.
- 1.3. The Unit is a structural production division of the Enterprise and operates independently.
- 1.4. The Unit may have stamps and forms in its own name.

**2. PURPOSE AND SCOPE OF ACTIVITY**

- 2.1. The purpose of the Unit's activity is to: consolidate the efforts of its members for using the land and basic means of production efficiently and at a high organizational level; raise labor productivity; increase production output by introducing new technologies; generate revenues; satisfy the material, socioeconomic and cultural needs of the Enterprise's workers generally, and the workers of the Unit in particular.
- 2.2. The scope of the Unit's activity shall include the following: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**3. MANAGEMENT AND LABOR RELATIONS**

- 3.1. The administrator of the Unit's activity shall be a manager, chief, team leader or other individual (hereinafter the Manager) assigned to the office by order of the Enterprise's Director (supervisor) with Management (Board, General Assembly) approval and a concluded Labor Agreement (Contract).

- 3.2. The Unit Manager shall bear full responsibility for the end results of the Unit's work, including: fulfillment of product output and service orders; sale of products or services; production costs and profitability levels; amount and terms of shop employee wage payments; timely tax payment deductions and other mandatory payments; maintenance of optimum workforce and productivity levels; implementation of labor safety measures; accounting and timely payment of electric, heating and water bills; efficient use of raw materials, land, fodder and other material resources; creation of proper work conditions and other issues related to the Unit's activity.
- 3.3. The Unit Manager shall, per agreement with Enterprise Management, provide for the repair and renovation of production facilities, machinery, equipment, and the introduction of up-to-date technology for the production and sale of competitive products and commodities.
- 3.4. The Unit Manager shall propose the hiring and dismissal of Unit employees to the Enterprise Director, provide employee incentives, impose employee penalties, conclude agreements as allowed under civil law, represent the Unit in its relations with legal entities and citizens on General Assembly issues related to meeting the objectives of the Enterprise's Charter.
- 3.5. The Unit's labor relations shall be governed by the *Labor Code* and other Ukrainian labor legislation.
- 3.6. The General Assembly shall discuss the Unit's activity to realize the workforce's potential in order to meet the objectives of the Enterprise's Charter. The Assembly shall be called by the Unit's Manager. The presence of not less than two-thirds of the workforce shall constitute a valid Assembly. Decisions shall be adopted by a simple majority of attending Unit employees. Assembly Minutes shall be signed by the Assembly's Chairman and Secretary. An Assembly may be called by demand, but only by not less than fifty (50) percent of the Unit's workforce.

#### 4. PROPERTY, LAND AND USE

- 4.1. The Unit's property and land shall be allotted by the Enterprise Director on the basis of order and intra-Enterprise agreements.  
The Unit shall have the right to lease the basic means of production and other necessary assets from legal entities and the Enterprise's structural units. In this instance, an agreement stipulating all lease terms and conditions and the parties' liabilities shall be concluded between the Enterprise by the Unit Manager and the Lessor.
- 4.2. The Unit shall own, use and dispose of transferred property and land in conformity with the purpose of its activity and concluded agreements. The Unit may acquire property based on generated revenues as a proportion of total Enterprise revenues.
- 4.3. The Unit shall use land pursuant to the *Land Code*, Ukrainian legislation governing land relations, other legislation, the Enterprise Charter, this Regulation and agreements.

#### 5. BUSINESS AND FINANCIAL ACTIVITY

- 5.1. Commercial activities shall be the basis of the Unit's economic activity. All products, work and services within the scope of the Enterprise's activity shall be considered commodities which will constitute the essence of intra-Enterprise relations.
- 5.2. Economic relations between the Unit and the Enterprise's other intra-enterprise units shall be self-financed and governed by intra-Enterprise agreements.
- 5.3. All of the Unit's production shall be at the Unit's complete disposal, except for the products the Enterprise takes into its inventory.
- 5.4. The Unit shall direct the marketing of the said products through other intra-Enterprise divisions on the basis of agreements. The agreements shall reflect annual output volumes, prices, party liabilities and other conditions.

Part of the Unit's products and profits shall be transferred to the Enterprise's centralized funds on the basis of intra-Enterprise agreements concluded with the Unit for reciprocal services and for Enterprise State budget settlements.

- 5.5. The Unit shall address issues of organization and agricultural output technology, its use, routine procedures, and responsibility for the final results of economic activity.
- 5.6. The Unit shall determine the terms for Unit employee wage payments according to the "Regulation on Remuneration of Labor in the Enterprise", adopt a Unit labor remuneration regulation, and distribute income among its workers. Said remuneration may be in cash and in kind. The Unit's wage amounts shall not be restricted and shall depend on the Unit's income which is the value of marketed products and provided services minus material costs. The Unit shall deduct funds from those revenues to cover State budget payments according to Ukrainian legislation.
- 5.7. Remuneration for hired workers shall be determined by agreements between the parties, but may not be below established minimum wages.
- 5.8. The Unit shall have the right to provide tradable services to other intra-Enterprise divisions and to its workers, enterprises, institutions, organizations and citizens at negotiated prices, but not below the cost value of the services.
- 5.9. The Unit shall independently keep basic accounting records on its economic activity results and submit a report according to established Enterprise procedure.
- 5.10. Material and other expenses incurred for production output and services provided shall be evaluated according to their actual market cost. If the Unit fails to meet its contractual commitments to the Enterprise for production output or services provided, the Unit shall refund the value of the undelivered products from its revenues estimated at average market prices.
- 5.11. The Unit shall comply with labor safety rules and standards, fire safety and production hygiene and traffic safety requirements according to Ukrainian legislation.

## 6. ACCOUNTING AND REPORTING

- 6.1. The Unit shall keep accounting records independently and submit reports to Enterprise Management on mutually agreed dates.

## 7. CONTROL OVER ECONOMIC AND FINANCIAL ACTIVITY

- 7.1. Control over the Unit's economic and financial activity shall be exercised by the Enterprise's Audit Committee.

## 8. TERMINATION

- 8.1. Enterprise Management shall adopt the decision to terminate the Unit's activity.
- 8.2. Activity terminates in the following cases:
  - liquidation;
  - merger with other structural Enterprise divisions;
  - transformation into separate legal entity.
- 8.3. During the Enterprise's liquidation, wage pay-outs and account settlements with Enterprise Management (primarily State budget payments), the property remaining shall be transferred to another Enterprise division by an Enterprise Management decision according to Ukrainian legislation.

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# Land Related Documents

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**STATE DEED\***  
**FOR PRIVATE OWNERSHIP OF LAND PARCEL**  
**# 00000001**

This State Deed for Private Ownership of Land Parcel is issued to citizen of Ukraine

\_\_\_\_\_ ,  
(full name)

residing at \_\_\_\_\_ ,  
(place of residence)

to certify that, pursuant to the Resolution of the \_\_\_\_\_ ,  
Rada of People's Deputies \_\_\_\_\_ ,  
(date, Resolution number)

a land parcel of \_\_\_\_\_ hectares is transferred into the private ownership of the citizen named herein within the borders indicated on the Plat.

Location of land parcel: \_\_\_\_\_  
(location in full, and Village, Community or Town Rada)

Purpose of transfer: \_\_\_\_\_  
(specify intended purpose)

This State Deed is executed in two copies: one to Mr./Ms. \_\_\_\_\_ ;  
(last name)

the other is filed with the \_\_\_\_\_ Rada of People's Deputies.

The Deed is registered in the Register of State Deeds for Private Ownership of Land as # \_\_\_\_\_ .

Seal

Head of the Rada of People's Deputies

" " , \_\_\_\_\_ 200\_\_  
(signature) (surname)

\* This form for a State Deed for Private Ownership of Land Parcel was approved on 13 March, 1992 by the Resolution of the Supreme Rada of Ukraine "On Forms of State Deeds for Ownership of Land and the Right to Permanent Use of Land".

**PLAT  
EXTERNAL BORDERS OF LAND PARCEL**

Scale 1: \_\_\_\_\_

**DESCRIPTION OF BORDERS**

- From A to B: \_\_\_\_\_
- From B to C: \_\_\_\_\_
- From C to D: \_\_\_\_\_
- From D to E: \_\_\_\_\_
- From E to F: \_\_\_\_\_
- From F to G: \_\_\_\_\_



\_\_\_\_\_  
(signature)

Land Surveyor

\_\_\_\_\_  
(surname)

**QUANTITATIVE DESCRIPTION OF LANDS TRANSFERRED  
INTO PRIVATE OWNERSHIP**

| Total area,<br>ha | Farm<br>land, ha | INCLUDING   |                     |                       | Buildings,<br>forests and<br>others |
|-------------------|------------------|-------------|---------------------|-----------------------|-------------------------------------|
|                   |                  | Arable land | Perennial<br>plants | Pasture/hay<br>fields |                                     |
|                   |                  |             |                     |                       |                                     |
|                   |                  |             |                     |                       |                                     |
|                   |                  |             |                     |                       |                                     |
|                   |                  |             |                     |                       |                                     |

**CHANGES IN LAND PARCEL BORDERS AND AREA**

| PARCEL NUMBER<br>ON PLAT | Date, number and<br>contents of document<br>according to which the<br>changes are made | AREA (hectares) |
|--------------------------|--|-----------------|
|                          |  |                 |
|                          |  |                 |
|                          |  |                 |
|                          |  |                 |

\_\_\_\_\_  
(signature)

Land Surveyor

\_\_\_\_\_  
(surname)

## LAND SHARE CERTIFICATE \*

This Land Share Certificate (hereinafter the Certificate) is issued to citizen of Ukraine, and member of the Collective Agricultural Enterprise, Agricultural Cooperative, or Agricultural Joint Stock Company (collectively hereinafter referred to as legal entity) \_\_\_\_\_

\_\_\_\_\_  
(name of legal entity)

\_\_\_\_\_  
(description of location)

\_\_\_\_\_ Rayon, \_\_\_\_\_ Oblast,  
Mr./Ms. \_\_\_\_\_  
(full name)

residing at \_\_\_\_\_  
(place of residence)

\_\_\_\_\_ Rayon, \_\_\_\_\_ Oblast,  
on the basis of the Resolution of \_\_\_\_\_ # \_\_\_\_\_ of \_\_\_\_\_,  
(name of Rayon State Administration) (date)

to certify that the citizen named herein shall acquire the right to a land share owned as the common property of \_\_\_\_\_  
(name of legal entity)

of \_\_\_\_\_ cadaster hectares in area, the physical borders of which are not demarcated.

The value of the land share is \_\_\_\_\_  
(amount in words)

Seal

Head, \_\_\_\_\_ Rayon State Administration

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(name)

“ ” \_\_\_\_\_ 200\_\_

The Certificate is registered in the Register of Land Share Certificates as # \_\_\_\_\_ on “ ” \_\_\_\_\_, 200\_\_.

This right of ownership to a land share may serve as a basis for purchase and sale transactions, donations, exchange activities, inheritance, and mortgage conveyances.

Upon issuance of the State Deed for Private Ownership of Land Parcel, the Certificate is subject to surrender to the \_\_\_\_\_ Rayon State Administration.

\* This form for a Land Share Certificate was approved on 12 October, 1995 by the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Form for a Land Share Certificate and a Model Registration Book of Land Share Certificates".

**CHANGES IN CERTIFICATE RESULTING FROM TRANSFER OF LAND SHARE**

The right of ownership of the Certificate is transferred to \_\_\_\_\_,  
(full name of individual or legal entity)

\_\_\_\_\_  
(residence of individual or location of legal entity)

on the basis of \_\_\_\_\_  
(purchase and sale agreement, donation, bequeath, etc.)

The area of the land share is equivalent to \_\_\_\_\_ cadaster hectares.

The value of the land share is \_\_\_\_\_  
(amount in words)

The basis for changes in the area and value of the land share are: \_\_\_\_\_  
\_\_\_\_\_

Seal

Head, \_\_\_\_\_ Rayon State Administration

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(surname and initials)

“ \_\_\_\_\_ ” \_\_\_\_\_, 200\_\_.

## LEASE CONTRACT For Land Parcel

(Date: day, month, year)

City (town) \_\_\_\_\_  
Ukraine

We, the undersigned, Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)

owner (hereinafter the Lessor) of a land parcel (hereinafter the Land) as attested by State Deed for Private Ownership of Land Parcel Series \_\_\_\_\_, # \_\_\_\_\_, issued by the \_\_\_\_\_ Rada \_\_\_\_\_ Rayon, \_\_\_\_\_ Oblast, and \_\_\_\_\_  
(legal entity or individual, location or residence)

(hereinafter the Lessee), have concluded this Lease Contract for a Land Parcel (hereinafter the Lease) according to the terms and conditions described below.

### 1. SUBJECT

- 1.1. The Lessor hereby leases, and the Lessee accepts the terms and conditions of the Lease of the Land of \_\_\_\_\_ hectares in total area, whose location and borders are shown on the attached Plat (Land Plat to Lease Contract # \_\_\_\_\_) which is an integral part of the Lease, including \_\_\_\_\_ hectares of arable land, \_\_\_\_\_ hectares for perennial crops, \_\_\_\_\_ hectares of hayfields, \_\_\_\_\_ hectares of forest, and \_\_\_\_\_ hectares of other lands.
- 1.2. The Land must be suitable for agricultural use for the period of \_\_\_\_\_ years<sup>1</sup>.
- 1.3. The Land's transfer into leasehold shall occur on the basis of a Transfer Statement, which becomes an integral part of the Lease and must contain a description of the Land (soil quality characteristics) as of the transfer date. The parties must sign the Statement no later than \_\_\_\_\_ business days after the date the Lease comes into force.
- 1.4. The Land shall be free of any limitations and encumbrances in the course of its targeted use.

### 2. RENT

- 2.1. Lessee shall pay rent to the Lessor \_\_\_\_\_.  
(indicate frequency of payment, which may be monthly, quarterly, semi-annually, annually, or otherwise)
- 2.2. The rent shall amount to \_\_\_\_\_.  
(indicate amount and form of the rent)<sup>2</sup>

<sup>1</sup> To conclude the Lease Contract for a term of 3-5 years is economically expedient for both parties in the current environment.  
<sup>2</sup> Rent may be paid in any form provided for under Ukrainian legislation depending on the Lessor's needs and the Lessee's circumstances, including payments in cash, in kind, or through services provided. As a rule, however, rent is paid in kind; that is, in grain or any other equivalent in agricultural or consumable products, materials or services, as agreed to between the parties. If the parties to a lease contract determine that rent be paid in kind, it is necessary that the types and amount of products to be used for payment be specified in the contract. For example, the parties may indicate that rent will be paid with the following products: per each hectare of leased land, grain - 200 kg, sugar - 50 kg, and sunflower seed oil - 10 liters. Rent can also be determined as a percentage of the average production of grain or any other crop in kg per hectare. Furthermore, part of the rent may be paid by providing services traditional for agricultural areas (for example, transport, ploughing, and other services). It is advisable to determine the amount of rent in-kind in the appendix to the contract for the lease of a land parcel. Such a sample contract is attached.

2.3.

- 2.3. The amount of rent shall/shall not be subject to indexation depending on the official (underline what needed) inflation rate determined by the Ukrainian State Committee for Statistics. Indexation shall be provided upon mutual consent of the parties and drawn as a supplement to this Contract.

### 3. RIGHTS AND OBLIGATIONS

- 3.1. Lessor's rights:
- a) demand that Lessee uses the Land properly and for its intended purpose in conformity with the Lease;
  - b) demand that Lessee comply with Ukrainian legislation governing ecological safety of land tenancy and soil fertility conservation, ecological standards, norms and rules, project decisions, and local rules for development of inhabited areas;
  - c) demand that Lessee comply with regulations for areas associated with water and sanitary protection zones, and specially protected territories.
- 3.2. Obligations:
- a) transfer the Land free of any limitations and encumbrances to Lessee for use in the condition and, its intended purpose, indicated in the Lease;
  - b) not interfere in the Lessee's business, or impose any requirements not specified in the Lease or under Ukrainian legislation;
  - c) accept the Land from the Lessee according to the Transfer Statement upon the Lease's expiration.
- 3.3. Lessee's rights:
- a) use the Land and conduct business to comply with the Land's intended purpose according to the Lease and independent judgement;
  - b) build residential, production, cultural and community facilities, and other buildings and fixtures, and plant perennial crops on the Land, by written consent with the Lessor, as allowed by Ukrainian legislation;
  - c) sell crops and agricultural products produced on the Land and obtain revenues generated from such sales;
  - d) conduct irrigation, drainage and other reclamation operations, and construct ponds and bodies of water, by written consent with the Lessor, as allowed by Ukrainian legislation;
  - e) to acquire on priority basis ownership rights to the leased land parcel according to the procedures stated in the Land Code of Ukraine.
- 3.4. Obligations:
- a) use the Land for its intended purpose according to the Lease;
  - b) use the Land efficiently, apply environmentally safe technologies, prevent the deterioration of the Land's ecological conditions, and that of adjacent lands, as a result of business activities;
  - c) take comprehensive measures to protect and preserve the Land, enhance soil fertility, and improve the Land's other useful qualities, including:
    - protect the Land against water and wind erosion, mud slides, rising ground water, water logging, artificial salt saturation, drainage onto the Land, structural damage, production waste, chemical and radioactive substance contamination, and other destructive processes;
    - protect the Land from excess and uncontrolled underbrush, forest and plant undergrowth;
    - reclaim the Land's damaged areas and take other measures to enhance its fertility and improve the Land's other qualities;

- preserve, utilize and remove the fertile soil layer when conducting work that might damage the Land;
- withdraw the Land's temporarily deteriorated areas from agricultural use if soil fertility cannot be restored by other means;
- d) pay rent according to the Lease;
- e) preserve geodetic markers, anti-erosion facilities, irrigation networks and drainage systems;
- f) comply with the regulations for sanitary zones and specially-protected territories;
- g) comply with "good neighbor" principles, including:
  - grant the right of easement to owners and users of adjacent land plots to access public roads and to build or repair landmarks and premises;
  - not obstruct the installation of necessary supply lines on adjacent land;
  - take measures to prevent the runoff of rain and wastewater onto adjacent lands, as well as prevent the penetration of these lands by toxic chemicals and mineral fertilizers;
- h) return the Land to Lessor upon the Lease's expiration.

#### 4. RISKS AND LIABILITIES

- 4.1. The Lessee shall be held liable and pay a fine of \_\_\_ percent of the monthly rent due for every day of delay, including the rent payment date, for failure to pay the rent within the Lease's specified time period, without prejudice to the parties' other rights and obligations.
- 4.2. \_\_\_\_\_ assumes the risk of accidental damage to the land.  
(indicate Lessor or Lessee)
- 4.3. The Lessor shall receive compensatory damages if the Land's quality suffers as a result of the Lessee's actions (including, but not limited to, chemical pollution of the Land, production wastes, erosion, deterioration of the soil's surface).
- 4.4. The parties shall be free from any liability for full or partial failure to perform the Lease for reasons of force majeure. An event which neither Lessor nor Lessee can foresee or prevent including, but not limited to, fire, flood, earthquake, other Acts of God, and military conflicts, constitutes force majeure for purposes of the Lease.

#### 5. TERM AND VALIDITY

- 5.1. The Lease shall come into force as of the date of its State registration.
- 5.2. The Lease shall remain in force for \_\_\_\_\_ years from the date of State registration.
- 5.3. Any changes in, or amendments to, the Lease's terms and conditions shall be by the parties' written agreement<sup>3</sup>. If the parties fail to agree on such changes or amendments, the matter shall be settled in a Ukrainian court of law.

#### 6. SETTLEMENT OF DISPUTES

- 6.1. Any dispute, which may arise from the Lease, shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled in a Ukrainian court of law.

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<sup>3</sup> The Contract may stipulate for an option of changing its terms, including amount of the rent, in case of transfer of ownership right to the leased land parcel to another individual.

**7. TERMINATION**

- 7.1. The Lease shall terminate in the following cases:
  - 7.1.1. Lease's expiration.
  - 7.1.2. Lease's cancellation:
    - by the parties' mutual consent;
    - pursuant to a Ukrainian court of law decision upon Lessor's demand in the event that Lessee fails to pay the rent within \_\_\_\_ months after the rent payment date;
    - pursuant to a Ukrainian court of law decision upon a party's demand in the event that either party fails to meet other obligations under the Lease, including, but not limited to, the Lessee's failure to perform necessary operations to conserve land;
    - pursuant to a Ukrainian court of law decision upon a party's demand in the event of the accidental destruction of, or damage to, the object of the Lease which makes it impossible to implement or fulfill the Lease's terms;
    - on grounds provided under the Land Code and other Ukrainian legislation.
  - 7.1.3. Conveyance of title to the Lessee.
  - 7.1.4. Mandatory appropriation of the Land to the public domain according to procedure provided under Ukrainian legislation.
  - 7.1.5. Lessee's death, conviction or deprivation of liberty.
  - 7.1.6. Lessee's (legal entity) liquidation.
- 7.2. If the Lessee duly performed his obligations under the Lease, he shall have a priority right to renew the Lease upon its expiration, other conditions being equal. If the Lease is renewed for a new period, its terms and conditions may be amended by the parties' written agreement.
- 7.3. In the event of the Lease's termination or cancellation, the Lessee shall be obligated to return the Land to the Lessor. The Lessee shall not have the right to retain the Land while pursuing legal claims against the Lessor, or for purposes of ensuring that Lessor meets Lessee's demands.
- 7.4. Lessor shall be entitled to six (6) months of lease payments as compensation if the Lessee repudiates the Lease after signing it, but prior to starting operations on the Land, and the repudiation is not related to the Lessor's violation of the Lease.

**8. OTHER CONDITIONS**

- 8.1. A plat of the Land indicating the Land's area and location shall be an integral part of the Lease.
- 8.2. Relations that arise during the performance of the Lease but not regulated by the Lease shall be governed by Ukrainian legislation.
- 8.3. The Lease is made in four copies, with one copy apiece to remain in the possession of each party, the third, to be filed with the Rada that registers the Lease, and the fourth, to be filed with \_\_\_\_\_

(name and address of State Notary Public's office or private notary public)

Lessor \_\_\_\_\_  
(signature)

Lessee \_\_\_\_\_  
(signature)

The Lease is entered in the Register of Land Lease Contracts on "\_\_\_\_" \_\_\_\_\_ 199\_\_\_\_,  
as #\_\_\_\_, \_\_\_\_\_ Rada Executive Committee \_\_\_\_\_ Rayon  
\_\_\_\_\_ Oblast.

Head of \_\_\_\_\_ Executive Committee

\_\_\_\_\_  
(signature)

( \_\_\_\_\_ )  
(full name)

Seal

Land Plat for Lease Contract # \_\_\_\_\_

Description of Borders:

From A to B \_\_\_\_\_  
From B to C \_\_\_\_\_  
From C to D \_\_\_\_\_  
From D to E \_\_\_\_\_

Scale 1 : \_\_\_\_\_

Land Surveyor: \_\_\_\_\_ (signature) \_\_\_\_\_ (surname)

I, (surname, initials) \_\_\_\_\_, a \_\_\_\_\_ (indicate private or State)

notary public of \_\_\_\_\_ (if State, indicate name of State Notary Public's Office and Notarial District)

attest to the Lease on \_\_\_\_\_ (date), in witness whereof the parties have signed the Lease. The parties have been identified, and the ownership of the Land by Co-owners indicated in the list (attached) has been verified.

In conformity with Articles 9-11 and 23 of the Land Code the Contract is subject to registration with \_\_\_\_\_ Rada of \_\_\_\_\_ (village, community, town)

Rayon, \_\_\_\_\_ Oblast.

The Lease is entered in the Register under # \_\_\_\_\_.  
Costs in the amount of \_\_\_\_\_ are paid to the \_\_\_\_\_ (State fees or charges)

\_\_\_\_\_  
(State or private) Notary Public.

Seal

Signature \_\_\_\_\_

Attachment # 1  
to Contracts for land parcel lease  
dated \_\_\_\_\_

### Rent payment per land parcel

| In-kind rent payment                     | Unit of measurements | Quantity | Value (HUA) per unit of measurement | Total (HUA) |
|--|----------------------|----------|-------------------------------------|-------------|
| wheat                                    | kg                   |          |                                     |             |
| rye                                      | kg                   |          |                                     |             |
| barley                                   | kg                   |          |                                     |             |
| corn                                     | kg                   |          |                                     |             |
| sunflower                                | kg                   |          |                                     |             |
| mangel-wurzel                            | kg                   |          |                                     |             |
| buckwheat                                | kg                   |          |                                     |             |
| sugar                                    | kg                   |          |                                     |             |
| vegetable oil                            | liter                |          |                                     |             |
|  |                      |          |                                     |             |
|  |                      |          |                                     |             |
| <b>Services provided as rent payment</b> |                      |          |                                     |             |
| plowing of subsidiary land plots         | hectare              |          |                                     |             |
| yielding at subsidiary land plots        | hectare              |          |                                     |             |
| transport services                       | vehicle / km         |          |                                     |             |
| <b>Total rent payment (HUA)</b>          |                      |          |                                     |             |

## CONTRACT for Purchase/Sale of Land Parcel <sup>1</sup>

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon  
 \_\_\_\_\_ Oblast

\_\_\_\_\_ (Date: day, month, year)

We, the undersigned, Mr./Ms. \_\_\_\_\_, residing at \_\_\_\_\_, (surname, name, patronymic)  
 \_\_\_\_\_, Passport Series \_\_\_\_\_, # \_\_\_\_\_,  
 \_\_\_\_\_ (address)

issued \_\_\_\_\_ (hereinafter the Seller),  
 and Mr./Ms. \_\_\_\_\_

\_\_\_\_\_ (surname, name, patronymic),

residing at \_\_\_\_\_,  
 \_\_\_\_\_ (address)

Passport Series \_\_\_\_\_, # \_\_\_\_\_, issued \_\_\_\_\_,  
 (hereinafter the Buyer), have concluded this Contract for the Purchase/Sale of a Land Parcel  
 (hereinafter the Contract) according to the terms and conditions described below.

### 1. SUBJECT

- 1.1. The Seller, whose ownership of the land parcel (hereinafter the Land) is attested by State Deed for Private Ownership of Land Parcel Series \_\_\_\_, # \_\_\_\_, hereby sells, and the Buyer hereby purchases the Land of \_\_\_\_\_ hectares (square meters) in total area.
- 1.2. The Land is free of any third party rights or claims to the best of the knowledge, understanding and awareness of the parties to the Contract at the time of its signing.
- 1.3. Location of the Land: \_\_\_\_\_  
 (Village Rada, enterprise, community, etc.)
- 1.4. Intended purpose of use: \_\_\_\_\_

### 2. PRICE AND PAYMENT TERMS

- 2.1. The Land costs \_\_\_\_\_  
 \_\_\_\_\_ (amount in Hryvnias in words and figures)  
 and paid to the Seller by the Buyer \_\_\_\_\_ upon  
 \_\_\_\_\_ (indicate in cash or in kind)  
 signing the Contract <sup>2</sup>.

<sup>1</sup> The present and other contracts on alienation of land parcels as well as contracts on alienation of land shares have been framed with due allowance for the provisions of the *Procedure for Certifying Contracts on Alienation of Land Parcels and the Right to Land Shares Evidenced by a Certificate* approved by Order of the Ministry of Justice of Ukraine and the State Committee for Land Resources of Ukraine of 24 June, 1996 (with allowance for amendments introduced by Order of the said bodies of 1 June, 1998).

<sup>2</sup> The parties may agree on other terms and procedures of payment for the land parcel.

### 3. SETTLEMENT OF DISPUTES

- 3.1. Any dispute which may arise from the Contract shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled by a Ukrainian court of law.

### 4. OTHER CONDITIONS

- 4.1. All expenses related to the drafting, notarization and registration of the Contract shall be paid as follows: of total expenses, Buyer pays \_\_\_\_\_ percent;  
Seller pays \_\_\_\_\_ percent.
- 4.2. The following shall be an integral part of the Contract:
- State Deed for Private Ownership of Land Parcel;
  - Monetary Valuation Certificate of the Land issued by the State Committee for Land Resources of Ukraine.
- 4.3. The Contract shall be the basis for issuing the State Deed for Private Ownership of Land Parcel to the new owner in the person of the Buyer.
- 4.4. The Contract is made in \_\_\_\_\_ copies, one of which shall be filed with \_\_\_\_\_

\_\_\_\_\_  
(name and address of State Notary Public's Office or private Notary Public)

Signatures of the parties:

Seller \_\_\_\_\_  
(signature)

Buyer \_\_\_\_\_  
(signature)

I, (surname, initials) \_\_\_\_\_, a \_\_\_\_\_  
(indicate private or State)

notary public of \_\_\_\_\_,  
(if State, indicate name of State Notary Public's Office and Notarial District)

attest to the Contract on \_\_\_\_\_ (date),  
in witness whereof the parties have signed the Contract. The parties have been identified, and  
the ownership by Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)

attesting to the right to the Land and its alienation, have been verified.

In conformity with Articles 9-11 and 23 of the *Land Code* the Contract is subject to registration with \_\_\_\_\_ Rada of \_\_\_\_\_  
(village, community, town)

Rayon, \_\_\_\_\_ Oblast.

The Contract is entered in the Register under # \_\_\_\_\_.

Costs in the amount of \_\_\_\_\_ are paid to the  
(State fees or charges)

\_\_\_\_\_  
(State or private) Notary Public

Seal

Signature \_\_\_\_\_

**CONTRACT**  
**for Purchase/Sale of Land Share Certificate <sup>1</sup>**

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon  
 \_\_\_\_\_ Oblast

\_\_\_\_\_ (Date: day, month, year)

We, the undersigned, Mr./Ms. \_\_\_\_\_, residing  
 (surname, name, patronymic)  
 at \_\_\_\_\_, Passport Series \_\_\_\_\_, # \_\_\_\_\_,  
 (address)  
 issued \_\_\_\_\_ (hereinafter the Seller), and  
 Mr./Ms. \_\_\_\_\_  
 (surname, name, patronymic)  
 residing at \_\_\_\_\_ Passport Series \_\_\_\_\_, # \_\_\_\_\_,  
 issued \_\_\_\_\_, (hereinafter the Buyer)  
 have concluded this Contract for the Purchase/Sale of a Land Share Certificate (hereinafter  
 the Contract) according to the terms and conditions described below.

**1. SUBJECT**

- 1.1. The Seller hereby sells, and the Buyer purchases the Land Share Certificate Series \_\_\_\_\_,  
 # \_\_\_\_\_ (hereinafter the Certificate), issued by \_\_\_\_\_  
 (name of administration)  
 Rayon State Administration of \_\_\_\_\_ Oblast on \_\_\_\_\_  
 (date of issue)
- 1.2. The Certificate is free of any third party rights or claims to the best of the knowledge,  
 understanding and awareness of the parties to the Contract at the time of its signing.
- 1.3. The land share (hereinafter the Share) represented by the Certificate being sold is  
 \_\_\_\_\_ conditional cadaster hectares in total area in conformity with the Certificate.
- 1.4. Location of the Share: \_\_\_\_\_  
 (Village Rada, enterprise, community)
- 1.5. Intended purpose of use as specified by the Certificate: \_\_\_\_\_.

**2. PRICE AND PAYMENT TERMS**

- 2.1. The Certificate was sold for \_\_\_\_\_  
 (amount in Hryvnias in words and in figures)  
 and paid to the Seller by the Buyer \_\_\_\_\_  
 (indicate in cash or in kind)  
 upon signing the Contract. <sup>2</sup>

<sup>1</sup> *The present and other Contracts on alienation of Land Share Certificates as well as Contracts on alienation of land parcels have been framed with due allowance for the provisions of the Procedure for Certifying Contracts on Alienation of Land Parcels and the Right to Land Shares Evidenced by a Certificate approved by Order of the Ministry of Justice of Ukraine and the State Committee for Land Resources of Ukraine of June 24, 1996 (with allowance for amendments introduced by Order of the said bodies of June 1, 1998).*

<sup>2</sup> *The parties may agree on other terms of payment for the Land Share Certificate.*

### 3. SETTLEMENT OF DISPUTES

3.1. Any dispute which may arise from the Contract shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled by a Ukrainian court of law.

### 4. OTHER CONDITIONS

4.1. All expenses related to the drafting, notarization and registration of the Contract shall be paid as follows: of total expenses, Buyer pays \_\_\_\_\_ percent; Seller pays \_\_\_\_\_ percent.

4.2. The Certificate shall be an integral part of the Contract.

4.3. In addition to notarization, the Contract and any subsequent official changes and amendments thereto shall be subject to registration in the Register of Land Share Certificates of the Rayon State Administration whose jurisdiction covers the Collective Agricultural Enterprise, Agricultural Cooperative or Agricultural Stock Company location.

4.4. The Contract is made in \_\_\_\_\_ copies, one of which shall be filed with \_\_\_\_\_  
(name and address of State Notary Public's Office or private Notary Public)

Signatures of the parties:

Seller \_\_\_\_\_  
(signature)

Buyer \_\_\_\_\_  
(signature)

I, (surname, initials) \_\_\_\_\_, a \_\_\_\_\_  
(indicate private or State)

notary public of \_\_\_\_\_  
(if State, indicate name of State Notary Public's Office and Notarial District)

attest to the Contract on \_\_\_\_\_ (date), in witness whereof the parties have signed the Contract. The parties have been identified, and the ownership by Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic)

attesting to the right to a Certificate and its alienation, have been verified.

The Contract is entered in the Register under #\_\_\_\_\_.  
Costs in the amount of \_\_\_\_\_ are paid to the  
(State fees or charges)

\_\_\_\_\_  
(State or private) Notary Public

Seal

Signature \_\_\_\_\_

**CONTRACT  
For Donation of Land Parcel as Gift**

\_\_\_\_\_ Village \_\_\_\_\_  
(Date: day, month, year)  
\_\_\_\_\_ Rayon  
\_\_\_\_\_ Oblast

We, the undersigned, Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)  
residing at \_\_\_\_\_, Passport Series \_\_\_\_\_, # \_\_\_\_\_,  
(address)  
issued \_\_\_\_\_ (hereinafter  
the Donor), and Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)  
residing at \_\_\_\_\_,  
(address)  
Passport Series \_\_\_\_\_, # \_\_\_\_\_, issued \_\_\_\_\_, (hereinafter  
the Donee), have concluded this Contract for the Donation of a Land Parcel as a Gift (here-  
inafter the Contract) according to the terms and conditions described below.

**1. SUBJECT**

- 1.1. The Donor hereby bestows, and the Donee accepts as a gift, the right to a land parcel (hereinafter the Land) of \_\_\_ hectares in total area, with a value of \_\_\_\_\_ Hryvnias, which is owned by the Donor on the basis of State Deed for Private Ownership of Land Parcel Series \_\_\_, # \_\_\_ issued by the \_\_\_\_\_ Village Rada on the basis of decision # \_\_\_\_\_ of \_\_\_\_\_.  
(date)
- 1.2. The Donor hereby confirms that the Land has not been bestowed as a gift, bequeathed, conveyed, sold or otherwise alienated to a third party or parties in any other manner, is free of any third party claims, and not subject to any attachment or prohibition on alienation imposed by respective governmental bodies.
- 1.3. Location of the Land: \_\_\_\_\_  
(Village Rada, enterprise, community, etc.)
- 1.4. Intended purpose of use: \_\_\_\_\_

**2. SETTLEMENT OF DISPUTES**

- 2.1. Any dispute which may arise from the Contract shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled by a Ukrainian court of law.

**3. OTHER CONDITIONS**

- 3.1. All expenses related to the drafting, notarization and registration of the Contract shall be paid by the Donor.

- 3.2. The following shall be an integral part of the Contract:
  - State Deed for Private Ownership of Land Parcel;
  - Monetary Valuation Certificate of the Land issued by the State Committee for Land Resources of Ukraine.
- 3.3. The Contract shall be the basis for issuing the State Deed for Private Ownership of Land Parcel to the new owner.
- 3.4. The Contract is made in \_\_\_\_\_ copies, one of which shall be filed with \_\_\_\_\_  
 \_\_\_\_\_  
 (name and address of State Notary Public's Office or private Notary Public)

Signatures of the parties:

Donor \_\_\_\_\_  
(signature)

Donee \_\_\_\_\_  
(signature)

I, (surname, initials) \_\_\_\_\_, a \_\_\_\_\_  
(indicate private or State)

notary public of \_\_\_\_\_,  
(if State, indicate name of State Notary Public's Office and Notarial District)

attest to the Contract on \_\_\_\_\_ (date),  
in witness whereof the parties have signed the Contract. The parties have been identified, and  
the ownership by Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)

attesting to the right to the Land and its alienation, have been verified.

In conformity with Articles 9-11 and 23 of the *Land Code* the Contract is subject to registra-  
tion with the \_\_\_\_\_  
(Village, Community or Town Rada)

of \_\_\_\_\_ Rayon, \_\_\_\_\_ Oblast.

The Contract is entered in the Register under # \_\_\_\_\_.

Costs in the amount of \_\_\_\_\_ are paid to the  
(State fees or charges)

\_\_\_\_\_  
(State or private) Notary Public

Seal

Signature \_\_\_\_\_

**CONTRACT**  
**for Donation of Land Share Certificate as Gift**

\_\_\_\_\_ Village \_\_\_\_\_  
\_\_\_\_\_ Rayon \_\_\_\_\_ (Date: day, month, year)  
\_\_\_\_\_ Oblast \_\_\_\_\_

We, the undersigned, Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)

residing at \_\_\_\_\_, Passport Series \_\_\_\_\_, # \_\_\_\_\_,  
(address)

issued \_\_\_\_\_ (hereinafter the Donor), and  
Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)

residing at \_\_\_\_\_,  
(address)

Passport Series \_\_\_\_\_, # \_\_\_\_\_, issued \_\_\_\_\_, (hereinafter  
the Donee), have concluded this Contract for the Donation of a Land Share Certificate as a  
Gift (hereinafter the Contract) according to the terms and conditions described below.

**1. SUBJECT**

1.1. The Donor hereby bestows, and the Donee accepts as a gift the right to a land share  
(hereinafter the Share) represented by Land Share Certificate Series \_\_\_ # \_\_\_\_\_  
(hereinafter the Certificate), issued by the \_\_\_\_\_  
(name of administration)

Rayon State Administration of \_\_\_\_\_  
Oblast on \_\_\_\_\_  
(date of issue)

The Certificate is entered in the Register of Land Share Certificates  
as of \_\_\_\_\_  
(date of registration)

under # \_\_\_\_\_. Transfer of the Certificate by the Donor to the Donee, and con-  
veyance of title to the Share, occur as of the moment the Contract is signed. The Donor  
and the Donee are members of the same Collective Agricultural Enterprise.

1.2. The Donor hereby confirms that the right to the Share has not been bestowed as a gift,  
bequeathed, conveyed, sold or otherwise alienated to a third party or parties in any  
other manner, is free of any third party claims, and not subject to any attachment or  
prohibition on alienation imposed by respective governmental bodies.

1.3. The Share being donated is \_\_\_ conditional cadaster hectares in total area in confor-  
mity with the Certificate, and its value is \_\_\_ Hryvnias.

1.4. Location of the Share: \_\_\_\_\_  
(Village Rada, enterprise, community, etc.)

1.5. Intended purpose of use as specified by the Certificate: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## 2. SETTLEMENT OF DISPUTES

- 2.1. Any dispute which may arise from the Contract shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled by a Ukrainian court of law.

## 3. OTHER CONDITIONS

- 3.1. All expenses related to the drafting, notarization and registration of the Contract, shall be paid by the Donee.
- 3.2. The Contract shall be the basis for introducing changes and amendments to the Certificate.
- 3.3. The Contract is made in three copies, with one copy apiece remaining in the possession of each party, and one copy is filed with \_\_\_\_\_  
(name and address of State Notary Public's Office  
\_\_\_\_\_  
or private Notary Public)

Signatures of the parties:

Donor \_\_\_\_\_  
(signature)

Donee \_\_\_\_\_  
(signature)

I, \_\_\_\_\_, a \_\_\_\_\_  
(surname, initials) (indicate private or State)

notary public of \_\_\_\_\_,  
(if State, indicate name of State Notary Public's Office and Notarial District)

attest to the Contract on \_\_\_\_\_ (date), in witness whereof the parties have signed the Contract. The parties have been identified, and the ownership by Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)

attesting to the right to a land share and its alienation, have been verified.

The Contract is entered in the Register under # \_\_\_\_\_.

Costs in the amount of \_\_\_\_\_ are paid to the  
(State fees or charges)

\_\_\_\_\_  
(State or private) Notary Public

Seal

Signature \_\_\_\_\_

## CONTRACT

### For Mortgage of Land Parcel

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon (Date: day, month, year)  
 \_\_\_\_\_ Oblast

We, the undersigned, Mr./Ms. \_\_\_\_\_, residing at  
 \_\_\_\_\_ (surname, name, patronymic)  
 \_\_\_\_\_ (hereinafter the Mortgagor),  
 \_\_\_\_\_ (address)  
 and \_\_\_\_\_ (credit institution), in the person of Mr./Ms. \_\_\_\_\_,  
 \_\_\_\_\_ acting on the basis of \_\_\_\_\_ (Charter,  
 \_\_\_\_\_ (surname, name, patronymic)  
 for example) (hereinafter the Mortgagee), have concluded this Contract for the Mortgage of  
 a Land Parcel (hereinafter the Contract) according to the terms and conditions stated below.

### 1. SUBJECT

- 1.1. The Mortgagor hereby mortgages, and the Mortgagee accepts a land parcel of \_\_\_\_\_  
 hectares in total area (hereinafter the Land) as security against the Mortgagor's per-  
 formance of the Contract. The Mortgagor owns the Land on the basis of State Deed  
 for Private Ownership of Land Parcel Series \_\_\_\_\_, # \_\_\_\_\_, issued by  
 \_\_\_\_\_ Village Rada on the basis of Decision # \_\_\_\_\_ of \_\_\_\_\_.  
 \_\_\_\_\_ (date of issuance)
- 1.2. Location of the Land: \_\_\_\_\_  
 \_\_\_\_\_ (specify location: Village Rada, enterprise, community, etc.)
- 1.3. Intended purpose of use: \_\_\_\_\_
- 1.4. The monetary valuation of the Land according to the Monetary Valuation Certificate  
 issued by the State Committee of Land Resources of \_\_\_\_\_  
 Oblast is \_\_\_\_\_ Hryvnias.
- 1.5. The value of the Land is \_\_\_\_\_  
 \_\_\_\_\_ (amount in figures)  
 \_\_\_\_\_ Hryvnias.  
 \_\_\_\_\_ (amount in words)
- 1.6. The purpose of the Contract is to ensure that the Mortgagor performs his obligations  
 to the Mortgagee under the Loan Contract of \_\_\_\_\_ by which he  
 \_\_\_\_\_ (date)  
 pledges to pay back the loan in the amount of \_\_\_\_\_  
 \_\_\_\_\_ (amount in figures)  
 \_\_\_\_\_ not later than \_\_\_\_\_ according to the procedure  
 \_\_\_\_\_ (amount in words) \_\_\_\_\_ (date)  
 and terms set forth in the Loan Contract.

### 2. RIGHTS AND OBLIGATIONS

- 2.1. Mortgagee's rights:  
 a) seek legal remedies with respect to the Land if the Mortgagor's obligations under the  
 Contract are not performed in full as of the Contract's expiration date;

- b) cancel the Contract by written notice to the Mortgagor if the Mortgagor has violated its terms and conditions, and demand pre-schedule performance of the Loan Contract in cases provided by Ukrainian legislation;
  - c) submit a claim for indemnity against that part of the Mortgagor's property not being mortgaged if the proceeds received from the sale of the Land are insufficient to cover Mortgagee's claims.
- 2.2. Obligations:
- a) neither sell, convey, transfer nor alienate in any manner the Land to third parties, except in cases legal remedies are undertaken with respect to the Land as described in points 3.1 and 3.2 of the Contract.
- 2.3. Mortgagor's rights:
- a) own and use the Land according to its intended purpose;
  - b) perform his obligations under the Loan Contract in advance;
  - c) sell the Land with the Mortgagee's written consent, transferring the remaining mortgage debt to the buyer;
  - d) lease the Land with the Mortgagee's written consent;
  - e) exchange the Land for another property of equal value with the Mortgagee's written consent;
  - f) the remainder of the sum received after meeting all the Mortgagee's claims.
- 2.4. Obligations:
- a) transfer the State Deed for Private Ownership of Land Parcel to the Mortgagee who is obligated to safekeep the Deed;
  - b) undertake no actions with the objective of changing the Land's owner during the entire loan period without the Mortgagor's consent until the loan and expenses related to the performance of the Contract are settled in full;
  - c) notify the Mortgagee as to third party claims to the Land.

### 3. LEGAL REMEDIES

- 3.1. The Mortgagee shall have the right to seek legal remedies with respect to the Land if Mortgagor defaults on the loan according to the terms of the Loan Contract of \_\_\_\_\_  
(date).
- 3.2. The Mortgagee shall foreclose on the Land according to procedures provided by Ukrainian legislation.

### 4. SETTLEMENT OF DISPUTES

- 4.1. Any dispute which may arise from the Contract shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled by a Ukrainian court of law.
- 4.2. Other relations which may arise during the performance of the Contract but are not regulated by it shall be governed by Ukrainian legislation.

### 5. VALIDITY AND TERMINATION

- 5.1. The Contract shall come into force from the moment of its signing by the parties, remain in force for the entire loan period and terminate in the following cases:

- the Mortgagee acquires the rights of ownership to the Land;
- fulfillment of obligations with respect to the mortgage;
- foreclosure sale of the Land according to a Ukrainian court of law decision.

## 6. OTHER CONDITIONS

- 6.1. All expenses related to the drafting, notarization and registration of the Contract shall be paid as follows: of total expenses, Mortgagor pays \_\_\_\_\_ percent; Mortgagee pays \_\_\_\_\_ percent.
- 6.2. The following shall be an integral part of the Contract:
- State Deed for Private Ownership of Land Parcel;
  - Monetary Valuation Certificate of land parcel issued by the State Committee for Land Resources of Ukraine.
- 6.3. The Contract is made in \_\_\_\_\_ copies, one of which is filed with \_\_\_\_\_  
(name and address)  
\_\_\_\_\_ of State or private notary public's office)

Signature of the parties:

Mortgagor \_\_\_\_\_  
(signature)

Mortgagee \_\_\_\_\_  
(signature)

I, \_\_\_\_\_, a \_\_\_\_\_  
(surname, initials) (indicate private or State)

notary public of \_\_\_\_\_,  
(if State, indicate name of State Notary Public's Office and Notarial District)

attest to the Contract on \_\_\_\_\_ (date),  
in witness whereof the parties have signed the Contract. The parties have been identified, and  
the ownership by Mr /Ms. \_\_\_\_\_,  
(surname, name, patronymic)

of the Land has been verified.

The Contract is entered in the Register under # \_\_\_\_\_.

Costs in the amount of \_\_\_\_\_ are paid to the  
(State fees or charges)

\_\_\_\_\_  
(State or private) Notary Public

Seal

Signature \_\_\_\_\_

## CONTRACT

### For Mortgage of Land Share Certificate

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon  
 \_\_\_\_\_ Oblast

\_\_\_\_\_ (Date: day, month, year)

We, the undersigned, Mr./Ms. \_\_\_\_\_, residing at \_\_\_\_\_  
 (surname, name, patronymic)

\_\_\_\_\_ Passport Series \_\_\_\_, # \_\_\_\_\_,  
 (address)

issued by \_\_\_\_\_,

and member/shareholder of \_\_\_\_\_  
 (name of Collective Agricultural Enterprise, Joint Stock Company,

\_\_\_\_\_ or other legal entity, and its location)

(hereinafter the Mortgagor), and Mr./Ms. \_\_\_\_\_  
 (surname, name, patronymic)

residing at \_\_\_\_\_  
 (address)

Passport Series \_\_\_\_, # \_\_\_\_\_, and member/shareholder of the same enterprise (hereinafter the Mortgagee), have concluded the Contract for the Mortgage of a Land Share Certificate (hereinafter the Contract) according to the terms and conditions stated below.

### 1. SUBJECT

1.1. The Mortgagor hereby mortgages, and the Mortgagee accepts, Land Share Certificate Series \_\_\_\_, # \_\_\_\_\_, issued by the \_\_\_\_\_  
 (name of administration)

State Rayon Administration of \_\_\_\_\_ Oblast, and entered on \_\_\_\_\_  
 (date of registration) in the Land Share Certificate Register under # \_\_\_\_\_ (hereinafter

the Certificate), certifying the right to a land share (hereinafter the Share), as security against the Mortgagor's performance of the Contract.

1.2. Location of the Share: \_\_\_\_\_  
 (specify location: Village Rada, enterprise, community, etc.)

1.3. Intended purpose of use: \_\_\_\_\_

1.4. The Share is \_\_\_\_\_ conditional cadaster hectares in total area as stated in the Certificate with a value of \_\_\_\_\_ Hryvnias.

1.5. The value of the Share is \_\_\_\_\_  
 (amount in figures)

( \_\_\_\_\_ ) Hryvnias.  
 (amount in words)

1.6. The purpose of the Contract is to ensure that the Mortgagor performs his obligations to the Mortgagee under the Loan Contract of \_\_\_\_\_ by which he pledges  
 (date)

to pay back the loan in the amount of \_\_\_\_\_  
 (amount in figures)

( \_\_\_\_\_ ) not later than \_\_\_\_\_ according to the procedure  
 (amount in words) (date)

and terms set forth in the Loan Contract.

## 2. RIGHTS AND OBLIGATIONS

- 2.1. Mortgagee's rights:
- a) seek legal remedies with respect to the Share if the Mortgagor's obligations under the Contract are not performed in full as of the Contract's expiration date;
  - b) cancel the Contract by written notice to the Mortgagor if the Mortgagor has violated its terms and conditions, and demand pre-schedule performance of the Loan Contract in cases provided by Ukrainian legislation;
  - c) submit a claim for indemnity against that part of the Mortgagor's property not being mortgaged if the proceeds received from the sale of that part which is mortgaged are insufficient to cover Mortgagee's claims.
- 2.2. Obligations:
- a) neither sell, convey, transfer nor alienate in any manner the right to the Share to third parties, except in cases legal remedies are undertaken with respect to the Share as described in points 3.1 and 3.2 of the Contract.
- 2.3. Mortgagor's rights:
- a) perform his obligations under the Loan Contract in advance;
  - b) sell the Share with the Mortgagee's written consent, transferring the remaining mortgage debt to the buyer;
  - c) exchange the Share for another property of equal value with the Mortgagee's written consent;
  - d) the remainder of the sum received after meeting all the Mortgagee's claims.
- 2.4. Obligations:
- a) transfer the right to the Share to the Mortgagee;
  - b) undertake no actions with the objective of changing the Share's owner during the entire loan period without the Mortgagor's written consent until the loan and expenses related to the performance of the Contract are settled in full;
  - c) notify the Mortgagee as to third party claims to the Share.

## 3. LEGAL REMEDIES

- 3.1. The Mortgagee shall have the right to seek legal remedies with respect to the right to the Share if the Mortgagor defaults on the loan according to the terms of the Loan Contract of \_\_\_\_\_.  
(date)
- 3.2. The Mortgagee shall foreclose on the Share according to procedures provided by Ukrainian legislation.

## 4. SETTLEMENT OF DISPUTES

- 4.1. Any dispute which may arise from the Contract shall be settled by the parties through negotiations. If the parties fail to settle their dispute, it shall be settled by a Ukrainian court of law.
- 4.2. Other relations which may arise during the performance of the Contract but are not regulated by it shall be governed by Ukrainian legislation.

## 5. VALIDITY AND TERMINATION

- 5.1. The Contract shall come into force from the moment of its signing by the parties, remain in force for the entire loan period, and terminate in the following cases:



Head of the \_\_\_\_\_ Village Rada  
\_\_\_\_\_ Oblast

\_\_\_\_\_  
(full name)

Address: \_\_\_\_\_

**APPLICATION**

I, \_\_\_\_\_, as a member of the “ \_\_\_\_\_ ”  
(full name)

Collective Agricultural Enterprise (CAE), acquired, and am the owner of, Land Share Certificate Series \_\_\_\_\_, # \_\_\_\_\_ (Certificate) as of \_\_\_\_\_, 200\_\_\_\_, representing my right to a land share.

As per my decision to withdraw my membership from the CAE (Decision # \_\_\_\_\_, dated \_\_\_\_\_, 200\_\_\_\_), I request that my Certificate be withdrawn from the CAE’s land in collective ownership and that I am issued a State Deed for Private Ownership of Land Parcel (State Deed).

Preferred location of land parcel: \_\_\_\_\_

I promise to deliver the Certificate to the Rayon State Administration upon receiving the State Deed.

- Attached:
- 1. Copy of the Certificate;
  - 2. Excerpt from the Minutes of the General Assembly of the CAE’s members, dated \_\_\_\_\_, 200\_\_\_\_

\_\_\_\_\_, 200\_\_\_\_.

\_\_\_\_\_  
(signature)

Approved:  
Chairman of \_\_\_\_\_  
Rayon State Administration  
\_\_\_\_\_ Oblast  
\_\_\_\_\_  
(signature) (surname and initials)

\_\_\_\_\_  
(Date: day, month, year)

## STATEMENT On Transfer and Acceptance of Land Parcel <sup>1</sup>

\_\_\_\_\_  
(Date: day, month, year)

\_\_\_\_\_  
(village, community, town)

This Statement on the Transfer and Acceptance of a Land Parcel is to certify that the transfer and acceptance of a land parcel from the land in collective ownership of the “\_\_\_\_\_” Collective Agricultural Enterprise (CAE) to the holder of Land Share Certificate Series\_\_\_\_\_, #\_\_\_\_\_ (Certificate), \_\_\_\_\_  
(surname, name, patronymic)

\_\_\_\_\_, residing  
at \_\_\_\_\_ has been carried out  
(address)

on the basis of the Decision of the General Assembly (Assembly of Authorized Representatives) of \_\_\_\_\_ CAE, Minutes #\_\_\_\_\_ of \_\_\_\_\_,  
(date)

and in conformity with Decision #\_\_\_\_\_ of the Rayon (Town) State Administration (Town Rada executive committee) of \_\_\_\_\_ upon approval by the CAE’s General Assembly  
(date)

of the *Plan for Sharing Land in Collective Ownership into Land Shares.*

The Chairman of the \_\_\_\_\_ CAE’s Board, in the presence of \_\_\_\_\_,  
a representative of the \_\_\_\_\_ Village (Community, Town) Rada,  
(office, surname and initials)

the following representatives of the owners and users of adjacent land parcels:

1. \_\_\_\_\_
2. \_\_\_\_\_

<sup>1</sup> *The model of the Statement has been prepared according to the Methodological Recommendations on the Procedure on Withdrawal of Land Parcels from Collective Ownership to Members of Collective Agricultural Enterprises and Organizations, approved by Order of the State Committee for Land Resources of Ukraine, the Ministry of Agriculture and Resources of Ukraine and the Ukrainian Academy of Agrarian Sciences of 4 June, 1996.*

2.11.

3. \_\_\_\_\_  
4. \_\_\_\_\_  
and \_\_\_\_\_ (name of representative of land survey organization)  
\_\_\_\_\_, a representative of the  
\_\_\_\_\_ Land Survey Organization, has transferred a land parcel to  
the holder of the said Certificate, Mr./Ms \_\_\_\_\_  
\_\_\_\_\_  
(surname, name, patronymic)  
\_\_\_\_\_, of \_\_\_\_\_ physical hectares in total area with the following  
composition of agricultural lands: \_\_\_\_\_  
\_\_\_\_\_

Description of the land parcel's borders: \_\_\_\_\_  
\_\_\_\_\_

The above-described borders are indicated by \_\_\_\_\_ fixed and stationary border markers entrusted to the land parcel owner's care and maintenance. The outer boundaries of the land parcel have been agreed upon with adjacent land parcel owners and users with no disputes or claims arising in the process.

This Statement is made in four copies with one copy each being in the possession of the Certificate owner, the Rayon (Town) Department of Land Resources, the CAE, and the Village (Community, Town) Rada.

Land parcel transferred by:

\_\_\_\_\_  
(signature) \_\_\_\_\_  
(surname and initials of Land Share Certificate owner)

Land parcel with border markers accepted by:

\_\_\_\_\_  
(signature) \_\_\_\_\_  
(surname and initials of CAE Board Chairman)

*Seal*

Owners and users of adjacent land parcels:

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_  
(signatures) \_\_\_\_\_  
(surname and initials)

Village (Community, Town) Rada representative:

\_\_\_\_\_  
(signature) \_\_\_\_\_  
(surname and initials)

Land Survey Organization representative:

\_\_\_\_\_  
(signature) \_\_\_\_\_  
(surname and initials)

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# Property Related Documents

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# Property Related Documents

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### PROPERTY SHARE CERTIFICATE

Under a decision of the General Assembly (meeting of authorized persons) of the \_\_\_\_\_ Collective Agricultural Enterprise held on \_\_\_\_\_ ,  
(Name of the enterprise) (Date)  
 (Minutes # \_\_\_\_\_, Mr./Ms \_\_\_\_\_ is entitled to a property share in the property  
(Full name)  
 share fund of the enterprise. The amount of the property share is HUA \_\_\_\_\_  
(In figures)  
 ( \_\_\_\_\_ ) as of \_\_\_\_\_ which is the equivalent of \_\_\_\_\_ percent of  
(In words) (Date)  
 the Property Share Fund.

In accordance with the structure of the Property Share Fund, the property share is structured as follows:

- Fixed assets of Group 1 \_\_\_\_\_ %;
- Fixed assets of Groups 2 and 3 \_\_\_\_\_ %;
- Current Assets \_\_\_\_\_ %;
- Finances \_\_\_\_\_ %;
- Uncompleted construction \_\_\_\_\_ %;
- Equipment \_\_\_\_\_ %.

Mr./Ms \_\_\_\_\_ is entitled to the property share in terms of  
(Full name)  
 property in accordance with the structure of the property share.

Chairman,  
 Board of the  
 Collective  
 Agricultural  
 Enterprise

\_\_\_\_\_  
(Full name)

\_\_\_\_\_  
(Signed)

Chief Accountant

\_\_\_\_\_  
(Full name)

\_\_\_\_\_  
(Signed)

Date: \_\_\_\_\_

Stamp

“ \_\_\_\_\_ ”

(name of CAE)

Collective Agricultural Enterprise  
General Assembly

Submitted by:

\_\_\_\_\_

(full name)

CAE Member

### APPLICATION

I hereby submit this Application in order to request the termination of my membership with the CAE and to withdraw my property share, as well as to agree on the withdrawal of the land parcel to which I am entitled as per Land Share Certificate Series \_\_\_\_\_, # \_\_\_\_\_, issued by \_\_\_\_\_ on “ \_\_\_ ” \_\_\_\_\_, 200\_\_.

(issuer of Land Share Certificate)

#### **Property Share**

Please transfer my property share in the following order:

cash: \_\_\_\_\_ Hryvnias;  
(amount)

property: \_\_\_\_\_;  
(type of property)

securities: \_\_\_\_\_.  
(type of securities, issuer, number, total value)

#### **Land Parcel**

Desired location: \_\_\_\_\_;

Desired percentage of agricultural lands: \_\_\_\_\_;

Desired transfer period: before “ \_\_\_ ” \_\_\_\_\_ 200\_\_.

“ \_\_\_ ” \_\_\_\_\_, 200\_\_.

\_\_\_\_\_

(signature)

**CERTIFICATE # \_\_\_\_\_**

“ \_\_\_\_\_ ”  
(name of Company)

**Agricultural Limited Liability Company  
Owner's Equity in Statutory Fund**

This Certificate is issued to the owner of the \_\_\_\_\_  
(name of Company)

Agricultural Limited Liability Company (the Company)

Mr./Ms. \_\_\_\_\_  
(full name)

Passport Series \_\_\_\_\_, # \_\_\_\_\_ issued \_\_\_\_\_ on \_\_\_\_\_ by \_\_\_\_\_  
(date)

\_\_\_\_\_  
(name of issuer)

to certify that said owner's equity contribution to the Company's Statutory Fund has been made in full.

The size of the Company's Statutory Fund is approved in the amount of \_\_\_\_\_  
(amount in words)

\_\_\_\_\_ Hryvnias.

The Company owner's equity interest in the Company amounts to \_\_\_\_\_  
(amount in words)

\_\_\_\_\_ Hryvnias, or \_\_\_\_\_ per cent of the Statutory Fund.

This Certificate is issued on the basis of a Resolution of the General Assembly of the Company's members held on “\_\_\_” \_\_\_\_\_, 200\_\_, Minutes # \_\_\_\_\_.

Seal

Company's General Director \_\_\_\_\_  
(signature)

Company's Chief Accountant \_\_\_\_\_  
(signature)

\_\_\_\_\_  
(Certificate issue date)

**MEMO TO COMPANY OWNER**

Pursuant to the Law “*On Business Companies*” and, as provided by the Company's Charter, an owner has the right to transfer his equity in the Statutory Fund, in whole or in part, to any other Company owner or third party. Company owners enjoy the right of first refusal with respect to owner equity transfers proportional to their equity in the Statutory Fund, or according to any other agreed amount.

An owner has the right to participate in decision-making with respect to Company profit sharing and receive dividends in proportion to his equity in the Statutory Fund. Dividends are to be paid into the owner's account or withdrawn physically.

**Board of Directors**

**CONTRACT****For Possession, Use, and Disposal of Property in Common Ownership**

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon  
 \_\_\_\_\_ Oblast

Date: \_\_\_\_\_

Pursuant to Article 7 of the Law "On Collective Agricultural Enterprises" of 14 February, 1992, Article 113 of the Civil Code, and other Ukrainian legislation, and as a result of the restructuring of \_\_\_\_\_

(name of Collective Agricultural Enterprise, Joint Stock Company, or Agricultural Cooperative)

into \_\_\_\_\_  
 (name of the new legal entity or entities)

the undersigned citizens of Ukraine, as owners of property shares (hereinafter the Co-owners) have entered this Contract for the Possession, Use, and Disposal of Property in Common Ownership by Part (hereinafter the Contract) according to the terms and conditions described below.

**1. SUBJECT**

- 1.1. The Co-owners have agreed to receive the property assets (hereinafter the Property) in common possession, use and disposal under this Contract, as well as other contracts which may arise between them.
- 1.2. The list of the Property shall be designed after in-kind allocation of the Co-owners' property shares and reflected in the Property Acceptance Certificate that is an Appendix to this Contract.
- 1.3. Each Co-owner shall have a share in the Property which shall be defined below in share terms. Any changes in the total amount or value of the Property shall not effect a Co-owner's Property share amount in share terms.
- 1.4. The Co-owners have agreed to transfer the Property to: \_\_\_\_\_  
(name of a legal entity or full name of individual)

under the terms of civil contracts (contracts for lease, purchase-sale, commodity credit, free use, etc.) in order to make efficient use of the Property.

- 1.5. Fixed assets comprising the Property received by the Co-owners shall be subject to lease. Current assets and unfinished constructions shall be alienated under contract for purchase-sale on the basis of commodity credit. Assets that cannot be effectively used in business activities due to their serious level of depreciation may be transferred under contract for free use (management in trust).

**2. DELEGATION OF AUTHORITY**

- 2.1. The Co-owners have decided to delegate to \_\_\_\_\_  
(full name)  
 (hereinafter the Agent), Passport Series \_\_\_\_\_ # \_\_\_\_\_, issued on "\_\_\_\_"  
 \_\_\_\_\_, 19\_\_ by \_\_\_\_\_ Oblast  
(name of passport issuing authority)

whose permanent residence is: \_\_\_\_\_, the  
 authority to act on their behalf during receipt of the Property from \_\_\_\_\_

\_\_\_\_\_  
(name of Collective Agricultural Enterprise, Joint Stock Company, or Agricultural Cooperative)

negotiate a Property Transfer Contract and sign it on their behalf to ensure timely resolution of all issues which may arise with respect to this Contract.

- 2.2. The Agent shall be vested with the rights to:
- receive the Property in-kind from \_\_\_\_\_ under  
(name of Collective Agricultural Enterprise)
  - restructuring and sign the Property Acceptance Certificate on the Co-owners' behalf;
  - negotiate the terms and conditions of the Property Transfer Contract;
  - sign the Property Transfer Contract on the Co-owners' behalf;
  - sign the Property Acceptance Certificate during transfer of the Property to the legal entity according to the Property Transfer Contract;
  - monitor the lessee's compliance with the Property Transfer Contract;
  - monitor the annual level of depreciation of the Property used by the legal entity;
  - if necessary, receive agricultural produce transferred to the Co-owners by the lessee as a rent payment.
- 2.3. The Agent shall receive remuneration out of lease payments for the Property or in the amount of \_\_\_\_\_ Hryvnias annually.
- 2.4. If the Agent acts beyond his authority and, by so doing, causes the Co-Owners to suffer losses, they shall be entitled to compensatory damages.
- 2.5. The Co-Owners shall elect a Supervisory Council comprised of \_\_\_ members to monitor the Agent's performance of his duties arising from the Contract. The Supervisory Council shall receive annual progress reports from the Agent and make recommendations to the Co-owners as to the feasibility of extending or amending the Contract. When the Agent is found to be in breach of his duties arising from the Contract, the Supervisory Council may decide to convene a meeting of the Co-owners to terminate the agency and appoint a new Agent.

### **3. CO-OWNERS' RIGHTS AS TO INDIVIDUAL PROPERTY SHARES IN COMMON OWNERSHIP**

- 3.1. The Co-owners have agreed not to exercise their legal right to withdraw their property shares from the Property for the duration of the Property Transfer Contract.
- 3.2. The Co-owners may exercise discretion in use of any other ownership rights over their property shares during the same period of time.
- 3.3. The Co-owners have a priority right to purchase a property share being sold by a Co-owner for the asking price. The right does not apply if the share is being sold through public auction.
- A Co-owner who wants to sell his property share to a third party must advise the remaining Co-owners by serving an appropriate written notice on the Agent, with the potential buyer, price and any other terms and conditions of the sale stated therein. If the Co-owners waive their priority right, or otherwise fail to conclude the purchase-sale transaction within thirty (30) days following the date of delivery of such notice, the seller may sell the share to any third party. When several Co-owners have indicated their willingness to buy the offered share, the seller may choose the buyer at his own discretion.
- 3.4. When a share has been sold in violation of the Co-owners' priority right, any Co-owner may, within a ninety (90) days period, seek a court order assigning to him all of the buyer's rights and obligations.

### **4. REGISTRATION OF CO-OWNERS**

- 4.1. The Agent shall keep all documentation related to performance of the Contract including, but not limited to, a list of Co-owners, the size of their shares, and notices to sell.

- 4.2. The Agent shall keep a Register of Share Ownership Right Transfers.  
4.3. The Agent shall keep record of proceeds from the Property and their allocation among Co-owners in proportion to their property shares.

## 5. SETTLEMENT OF DISPUTES

- 5.1. The Co-owners shall attempt to resolve all disputes arising from the Contract among themselves through negotiations. If the parties fail to settle the dispute, it shall be settled by a Ukrainian court of law.

## 6. TERM AND VALIDITY

- 6.1. The Contract shall come into force from the moment all Co-owners have signed it.  
6.2. The Contract shall remain in force for \_\_\_ years from that date of signature.

## 7. OTHER CONDITIONS

- 7.1. All issues which may arise in connection with the Contract not explicitly addressed herein shall be resolved according to Ukrainian legislation.  
7.2. The terms and conditions set forth herein shall be binding on any new Co-owner including, but not limited to, the buyer and legal successor to whom the right to a property share in common ownership has passed, whether by inheritance, sale, or any other means.  
7.3. The Contract is executed in \_\_\_\_\_ copies with each copy having equal legal force and which shall be filed with the Agent.

## 8. CO-OWNERS' SIGNATURE

| Line | Full Name | Address | Passport Series, Number, Issuing Authority and Date of Issue | Size of property share, (in percentage of total value of the Property) | Monetary value of the property share in Hryvnias | Co-owner signature |
|------|-----------|---------|--|--|--|--------------------|
| 1    | 2         | 3       | 4  | 5  | 6  | 7                  |
|      |           |         |  |  |  |                    |

Appendix 1. The Property in common share ownership as of the moment of the Contract's signing.

| Line | Item | Unit of Measure | Item Value | Number | Total Value |
|------|------|-----------------|------------|--------|-------------|
| 1    | 2    | 3               | 4          | 5      | 6           |
|      |      |                 |            |        |             |

## CONTRACT

### For Transfer of Property to Legal Entity

\_\_\_\_\_ Village  
 \_\_\_\_\_ Rayon  
 \_\_\_\_\_ Oblast

Date: \_\_\_\_\_

We, the undersigned citizens of Ukraine and Co-owners<sup>1</sup> (hereinafter the Lessor/Seller) of property in common share ownership (hereinafter the Property<sup>2</sup>), acting on the basis of the Contract for Possession, Use and Disposal of Property in Common Ownership # \_\_\_\_\_ dated “\_\_” \_\_\_\_\_ 200\_\_, and \_\_\_\_\_,

(name of legal entity)

(hereinafter the Lessee/Buyer), represented by \_\_\_\_\_  
 (full name)  
 \_\_\_\_\_, and acting on the basis of \_\_\_\_\_  
 and position)

(Charter, for example), have entered this Contract for the Transfer of Property to a Legal Entity (hereinafter the Contract) according to the terms and conditions described below.

### 1. SUBJECT

- 1.1. The Lessor/Seller hereby transfers the Property to the Lessee/Buyer, and the Lessee/Buyer accepts the terms and conditions of the transfer of the Property as stated in the Contract.
- 1.2. The Property's fixed assets are leased to the Lessee/Buyer for a period of \_\_\_\_\_ years; the Property's current assets and incomplete construction projects are sold to the Lessee/Buyer on commodity credit<sup>3</sup> terms.
- 1.3. The value of each Lessor/Seller's property share in the Property is specified in monetary terms and recorded in the Property Share Certificate issued on \_\_\_\_\_ due to the sharing of the property of the \_\_\_\_\_  
 (date)  
 \_\_\_\_\_ CAE. Individuals entitled to property and the value of their property shares are listed on the Contract's signature page.

### 2. LEASE OF FIXED ASSETS

- 2.1. Fixed assets to be leased according to the Contract are listed in Appendix 1 to the Contract.

<sup>1</sup> For purposes of the Contract, and based on Ukrainian legislation, Co-owners are those individuals who withdrew themselves and their land shares from the Collective Agricultural Enterprise (CAE) in order to receive the physical equivalent of their land shares as a single land plot in their common ownership for purposes of transferring it to an agricultural enterprise on lease or, other favorable terms.

<sup>2</sup> For purposes of the Contract, and based on Ukrainian legislation, Property is the assets of the restructured CAE comprised of fixed and current assets, and incomplete construction projects that were transferred as a single property complex into the common ownership of those individuals who withdrew themselves and their property shares from the CAE.

<sup>3</sup> Commodity credit is a type of purchase and sale contract. Its main characteristics are: 1) the right to ownership of the property which is the subject of the contract transferred from a seller to a purchaser at the moment the purchaser acquires that property; 2) the contract stipulates delayed payment for the property; 3) the buyer pays interest on the use of the delayed payment funds.

- 2.2. Fixed assets are leased according to their appraised value determined by the CAE Property Appraisal Committee and recorded in the Property Appraisal Report approved by the CAE's General Assembly held on \_\_\_\_\_, (date)  
Minutes # \_\_\_\_\_. The total value of the fixed assets to be leased is \_\_\_\_\_ Hryvnias.  
(specify amount in words)
- 2.3. Fixed assets being leased shall be indicated as such on the Lessee/Buyer's balance sheet.
- 2.4. Fixed assets shall be leased for agricultural production and its processing, as well as for other activities provided for by the Lessee/Buyer's Charter.
- 2.5. After the Lessor/Seller transfers the fixed assets being leased into the Lessee/Buyer's possession, the Lessee/Buyer shall formalize the right to use land parcels containing buildings and structures included in the fixed assets according to Ukrainian legislation. Payment for the use of these land parcels is made by the Lessee/Buyer pursuant to the Law "On Payment for Land", dated 19 September, 1996.

### 3. RENT

- 3.1. In return for the use of the Lessor/Seller's fixed assets, the Lessee/Buyer shall pay the Lessor/Seller rent in the amount of \_\_\_\_\_ percent of the fixed assets' value per individual property share every \_\_\_\_\_ annually, due no later than \_\_\_\_\_, (indicate month)  
and payable in agricultural produce (grain), processed products (butter, oil, sugar, flour, meat products, bread, and other products), or services (transportation, subsidiary plot tillage, and other services).<sup>4</sup>
- 3.2. The amount of rent payment and payment date may be changed by the parties' mutual agreement.
- 3.3. The Lessee/Buyer shall set up an account for a Reserve Fund for the purchase of new fixed assets, and shall use such assets to increase production.<sup>5</sup> Improvements made to leased fixed assets at the expense of the Reserve Fund will be owned by the Lessor/Seller, unless such improvements were considerable, in which case the Lessor/Seller may require a rent increase.

### 4. RIGHTS AND OBLIGATIONS

- 4.1. **The Lessor/Seller's rights**
- 4.1.1. Monitor the Lessee/Buyer's use of the leased fixed assets as per the Contract, and appoint the individual who will perform the monitoring and resolve any other issues related to leasing fixed assets to the Lessee/Buyer.
- 4.1.2. Commission non-governmental organizations to represent the Lessor/Seller's interests on a free of charge basis.
- 4.2. **Obligations**
- 4.2.1. Lease fixed assets to the Lessee/Buyer and not to interfere with Lessee/Buyer's business.

<sup>4</sup> If rent payment is made in grain, calculations are based on the Lessee/Buyer's average sale prices. If payment is by other products, calculations are based on retail prices as of the date the calculations are made.

<sup>5</sup> A "wear and tear" provision is absent from this agreement since it pertains to individuals who under Ukrainian law, unlike legal entities, are not entitled to depreciating credits.

- 4.2.2. Give Lessee/Buyer written notice regarding the lease' extension or termination \_\_\_\_\_ months prior the Contract's termination.
- 4.2.3. Accept the fixed assets upon the Contract's termination.
- 4.2.4. Not alienate his/their share(s) in the fixed assets prior to the Contract's termination, except for alienation to the Lessee/Buyer.
- 4.3. The Lessee/Buyer's rights**
- 4.3.1 Use the leased fixed assets according to, its own discretion and, its business activities provided for in the Charter.
- 4.3.2. Dispose of production resulting from the use of the leased fixed assets, except for that part of production transferred to the Lessor/Seller as rent.
- 4.3.3. Use materials (parts) of leased fixed assets which no longer function to repair other leased fixed assets.
- 4.3.4. Sell leased fixed assets (excluding non-movable items) in order to purchase more up-to-date and efficient equipment, machinery, raw materials, production and labor animals, and other items. Fixed assets shall not be sold in order to cover the Lessee/Buyer's debts and losses. The property purchased as the result of the sale of the leased fixed assets shall belong to the Lessor/Seller and shall be made part of the leased fixed assets.
- 4.3.5. Purchase the Lessor/Seller's shares in the Property (fixed assets) at agreed to prices, resulting in the withdrawal of the fixed assets represented by these shares from the fixed assets being leased.<sup>6</sup> The parties agree that the Lessee/Buyer shall have the exclusive right to purchase the leased fixed assets for the duration of the Contract.
- 4.3.6. Sublease leased fixed assets.
- 4.4. Obligations**
- 4.4.1. Make lease payments according to the Contract.
- 4.4.2. Use leased fixed assets according to their intended purpose.
- 4.4.3. Make major and upkeep repairs to fixed assets.
- 4.4.4. Keep fixed assets in a safe and working condition, and bear legal responsibility for any damage or other negative consequences to leased fixed assets resulting from their use during the Contract period.
- 4.4.5. Use the Reserve Fund to renew leased fixed assets for their intended purpose only, and provide the Lessor/Seller with annual reports regarding the fund's use.
- 4.4.6. Return fixed assets to the Lessor/Seller in their proper working condition after the Contract's expiration, with normal "wear and tear" taken into account.

## 5. LEASED FIXED ASSET STATE REGISTRATION

- 5.1. The parties agree that the Lessee/Buyer will register in its name property subject to State registration, including buildings, construction sites, motor vehicles, buses, self-propelled machines, wheeled tractors, self-propelled soil-reclamation and road construction machines, motor vehicle chassis-mounted machines, motorcycles of all types and models, and tractor trailers, for the duration of the Contract.<sup>7</sup>

<sup>6</sup> In this situation, for purposes of appraising these shares, "wear and tear" and liquidity of the fixed assets shall be taken into account.

<sup>7</sup> According to the *Rules of Official Registration and Accounting of Motor Vehicles, Buses, and Motor Vehicle Chassis-Mounted Self-propelled Machines, Motorcycles of All Types and Models, Trailers, Semi-trailers, Motorized Wheelchairs and Motorcycles with sidecars*, approved by the Cabinet of Ministers on 7 September, 1998, and vehicles owned by several individuals or legal entities as co-owners, shall be registered as belonging to one such individual or legal entity in possession of the documents attesting to the legality of the purchase of such vehicles, if there is a duly notarized agreement between the co-owners to this effect. Registration of leased vehicles in the Lessee/Buyer's name does not grant it any ownership rights in such property.

## 6. CURRENT ASSET AND INCOMPLETE CONSTRUCTION PROJECT SALES

- 6.1. The Lessor/Seller will sell to the Lessee/Buyer, as a commodity credit, current assets listed in Appendix 2, the total value of which is \_\_\_\_\_  
(amount in words)  
Hryvnias, and the ownership rights of which are transferred to the Lessee/Buyer at the moment the Transfer and Acceptance Statement is signed.
- 6.2. The Lessor/Seller will sell incomplete construction projects to the Lessee/Buyer on deferred payment terms, including \_\_\_\_\_, the values of which are indicated in Appendix 2 and the total value of which is \_\_\_\_\_  
\_\_\_\_\_  
(amount in words)  
Hryvnias, and the ownership rights are transferred to the Lessee/Buyer at the moment the Transfer and Acceptance Statement is signed. This statement shall be drafted and signed simultaneously with the Contract's signing by the parties.
- 6.3. The Lessee/Buyer undertakes payment for the current assets and incomplete construction projects for \_\_\_\_\_ years starting \_\_\_\_\_,  
(date)  
with payment for these projects being comprised of a part of their value proportionate to the Lessor/Seller's share in the Property in common ownership.
- 6.4. The interest rate on the Lessee/Buyer's deferred payment shall be \_\_\_\_\_ percent, and is subject to payment according to the procedure provided by point 6.3 of the Contract.

## 7. RISKS AND LIABILITIES

- 7.1. The Lessor/Seller shall bear the risk of destruction of, or damage to, the incomplete construction projects which are part of the leased fixed assets.
- 7.2. Failure to pay for the lease of fixed or current assets, and incomplete construction projects, on a timely basis as per the Contract, subjects the Lessee/Buyer to a possible civil penalty of \_\_\_\_\_ percent of the unpaid amount.
- 7.3. The parties are released from responsibility for non-fulfillment, or partial non-fulfillment of the terms of this Contract as a result of force majeure which shall include, but not be limited to fire, earthquake, war, acts of God, and other catastrophes.

## 8. PERFORMANCE MONITORING

- 8.1. The Lessor/Seller shall elect a Supervisory Council (authorized representatives) from among its Co-owners to monitor the performance of the Lessee/Buyer's duties under the Contract and to maintain communication with the Lessee/Buyer.<sup>8</sup>

<sup>8</sup> If the representation of the Co-owners' interests has been commissioned to a public organization created by the Co-owners, the Supervisory Council's (authorized representatives) powers are delegated to it.

## 9. VALIDITY

- 9.1. The Contract shall become valid upon its signing by the parties.
- 9.2. In terminating or breaking this Contract, compensation for expenses associated with the improvement of leased fixed assets, or other issues which may arise that are not explicitly addressed herein shall be resolved pursuant to Article 27 of the Law "On the Lease of Property of State Enterprises and Organizations" of 14 March, 1995, and the Civil Code of 18 July, 1963. Any other dispute arising under, or in connection with, this Contract shall be settled by negotiations between the parties. If settlement is not reached, the dispute shall be settled by a Ukrainian court of law.

This Contract is executed in three copies, with one copy apiece to be in the possession of either party to the Contract and one copy to be filed with the Village Rada.

### Signatures:

**In the name of the Lessee/Buyer:**

\_\_\_\_\_  
(full name, position)

Co-owners:

### List and Signatures of Co-owners to the Contract

| Line | Full Name | Address | Passport Series, Number, Issuing Authority and Date of Issue | Size of Property Share, (in Percent of Total Property Value) | Value of Property Share in Hryvnia | Signature |
|------|-----------|---------|--|--|------------------------------------|-----------|
| 1    | 2         | 3       | 4  | 5  | 6                                  | 7         |
| 1.   |           |         |  |  |                                    |           |
| 2.   |           |         |  |  |                                    |           |
| 3.   |           |         |  |  |                                    |           |
| 4.   |           |         |  |  |                                    |           |
| 5.   |           |         |  |  |                                    |           |
| 6.   |           |         |  |  |                                    |           |
| 7.   |           |         |  |  |                                    |           |
| 8.   |           |         |  |  |                                    |           |
| 9.   |           |         |  |  |                                    |           |
| 10.  |           |         |  |  |                                    |           |

**Appendix 1**

as of \_\_\_\_\_  
(date)

**Appendix 1. Fixed Assets to be Leased to the Lessee/Buyer**

| Line | Item | Unit of Measure | Item Value | Number | Total Value | Condition of Fixed Assets |
|------|------|-----------------|------------|--------|-------------|---------------------------|
| 1    | 2    | 3               | 4          | 5      | 6           | 7                         |

**Appendix 2**

as of \_\_\_\_\_  
(date)

**Appendix 2. Current Assets to be Sold to the Lessee/Buyer as Commodity Credit**

| Line | Item | Unit of Measure | Item Value | Number | Total Value | Condition of Current Assets |
|------|------|-----------------|------------|--------|-------------|-----------------------------|
| 1    | 2    | 3               | 4          | 5      | 6           | 7                           |

**Transfer and Acceptance Statement by the Lessee/Buyer of Fixed Assets in Common Ownership**

| Line | Item | Unit of Measure | Item Value | Number | Total Value | Condition of Fixed Assets |
|------|------|-----------------|------------|--------|-------------|---------------------------|
| 1    | 2    | 3               | 4          | 5      | 6           | 7                         |

**Transfer and Acceptance Statement by the Lessee/Buyer of Current Assets in Common Ownership**

| Line | Item | Unit of Measure | Item Value | Number | Total Value | Condition of Current Assets |
|------|------|-----------------|------------|--------|-------------|-----------------------------|
| 1    | 2    | 3               | 4          | 5      | 6           | 7                           |

**Transfer and Acceptance Statement by the Lessee/Buyer of Incomplete Construction Projects in Common Ownership**

| Line | Name and Location of Incomplete Construction Projects | Intended Purpose (according to construction documentation), estimated capacity, and other essential characteristics | Condition of Incomplete Construction Projects |
|------|---|---|---|
| 1    | 2   | 3   | 4   |

## CONTRACT

### For No-fee Use of Property<sup>1</sup>

Village of \_\_\_\_\_ (Date: month, day, year)  
 \_\_\_\_\_ Raion  
 \_\_\_\_\_ Oblast

We, the undersigned citizens of Ukraine and Co-owners (hereinafter Co-owners) of property in common share ownership, (hereinafter the Property), acting on the basis of the Contract for Possession, Use and Disposal of Property in Common Share Ownership dated “\_\_” \_\_\_\_\_ 200\_\_ , and \_\_\_\_\_

(date)

(name of legal entity)

(hereinafter the Enterprise), represented by \_\_\_\_\_,  
 (full name and position)

acting on the basis of the Charter, on the other side, have entered this contract for the No-Fee Use of Property (hereinafter the Contract) according to the terms and conditions described below:

#### 1. SUBJECT OF THE CONTRACT

- 1.1. The Co-owners hereby transfer a part of the Property due them by right of common share ownership to the Enterprise for no-fee use for a period of \_\_\_\_\_ years.
- 1.2. The value of each Co-owner's Property share in the Property is specified in monetary terms and recorded in the Property Share Certificate issued on \_\_\_\_\_ due to \_\_\_\_\_  
 (date)  
 the division of the Property of the \_\_\_\_\_ CAE. Individuals entitled to Property and the value of their Property shares are listed on the Contract's signature page.

#### 2. PROPERTY TRANSFERRED FOR NO-FEE USE

- 2.1. Property to be transferred according to the Contract listed in Appendix 1 to the Contract.
- 2.2. The Property is transferred according to its appraised value determined by the CAE Property Appraisal Committee and recorded in the Property Appraisal Report approved by the CAE's General Assembly held on \_\_\_\_\_,  
 (date)  
 Minutes # \_\_\_\_\_. The total value of the Property to be transferred is \_\_\_\_\_  
 \_\_\_\_\_ Hryvnias.
- 2.3. Property shall be transferred without fee for agricultural production and processing, as well as for other activities provided for by the Enterprise Charter.
- 2.4. After Co-owners transfer the Property being used into the Enterprise's possession, the Enterprise shall formalize the right to use land parcels containing buildings and structures included in the Property according to Ukrainian legislation. Payment for the use

<sup>1</sup> The Contract For No-fee Use of Property is applied to those property objects which currently are not used in economic activity. In some cases the Contract is named as Trust Management Contract.

of these land parcels is made by the Enterprise pursuant to the Law "On Payment for Land", dated 19 September, 1966.

### **3. OBLIGATIONS AND RIGHTS OF THE PARTIES RELATIVE TO NO-FEE USE OF PROPERTY**

- 3.1. The Co-owners shall be bound:
  - 3.1.1. To transfer the Property to the Enterprise for no-fee use.
  - 3.1.2. Not to interfere with economic activity of the Enterprise.
  - 3.1.3. To notify the Enterprise in writing about their intentions as to prolonging or suspending no-fee use of Property \_\_\_\_\_ months before the expiry of the Contract's validity.
  - 3.1.4. To accept the Property upon expiry of the Contract's validity.
  - 3.1.5. Not to effect alienation of share in the right to Property before the validity of the Contract expires, except for its alienation to the Enterprise.
- 3.2. The Co-owners shall have the right:
  - 3.2.1. To exercise control over the use of Property by procedure agreed upon with the Enterprise.
  - 3.2.2. To elect from among themselves authorized persons for the exercise of such control and for dealing with other issues related to the transfer of the Property to the Enterprise for no-fee use.
  - 3.2.3. To assign representation of their interests before the Enterprise to non-governmental organizations on a no-fee basis.
- 3.3. The Enterprise shall be bound:
  - 3.3.1. To use the Property in accordance with its designation.
  - 3.3.2. To carry out at its own cost extensive and routine repair of the Property.
  - 3.3.3. To maintain in proper condition and preserve the Property and under current legislation be liable for any possible damage and/or negative consequences from the use of the Property throughout the validity period of the Contract.
  - 3.3.4. To return the Property upon expiry of the Contract to the Co-owners in a proper condition, with allowance for normal wear and tear.
- 3.4. The Enterprise shall have the right:
  - 3.4.1. To use the Property transferred to it for no-fee use at its own discretion in accordance with the activity stipulated in its Charter.
  - 3.4.2. Dispose of production resulting from the use of the Property transferred to it for no-fee use.
  - 3.4.3. To use the materials (parts) of the Property that became unfit for utilization due to their normal economic operation to repair other Property transferred for no-fee use.
  - 3.4.4. To buy out Property transferred for no-fee use on the terms and conditions provided for under separate contracts.

### **4. REGISTRATION OF BUILDINGS AND STRUCTURES THAT ARE PART OF THE PROPERTY TRANSFERRED FOR NO-FEE USE**

- 4.1. The parties shall agree that throughout the period of the Contract the Enterprise shall temporarily register in its name the Property (buildings, structures, etc.) that are subject to registration with state bodies. Registration of Property transferred for no-fee use in the Enterprise's name shall not grant it ownership rights in such Property.

**5. RISKS AND LIABILITIES**

- 5.1. The Co-owners shall bear the risk of accidental loss of, or damage to the objects which are part of the Property transferred for no-fee use.
- 5.2. The parties are released from responsibility for non-fulfillment, or partial non-fulfillment of the terms of this Contract as a result of force majeure which shall include, but not be limited to fire, earthquake, war, acts of God, and other catastrophes.

**6. VALIDITY PERIOD OF THE CONTRACT**

- 6.1. The Contract shall become valid upon its signing by the parties.

**7. PROCEDURE FOR THE CO-OWNERS EXERCISING CONTROL OVER THE PERFORMANCE OF THE CONTRACT AND OTHER TERMS AND CONDITIONS**

- 7.1. In order that the Co-owners may exercise control over the Enterprise's performance of its obligations under the Contract, as well as for maintaining constant communication with the Enterprise, the Co-owners shall appoint a Supervisory Council (of authorized persons) from among the citizens/Co-owners of the Property. <sup>2</sup>
- 7.2. The parties agree that throughout the period of the Contract the Enterprise shall have exclusive right to acquisition of the Property transferred for no-fee use.
- 7.3. Disputes arising under the Contract shall be settled by negotiations between the parties. If settlement is not reached, the dispute shall be settled by judicial procedure.
- 7.4. This Contract is executed in three copies, with one copy apiece to be in the possession of each party to the Contract and one copy to be filed with the Village Rada.

**Signatures:**

In the name of the Enterprise:

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(full name, position)

**Co-owners:**

**List and Signatures of Co-owners to the Contract for No-fee Use of Property, with Reference to the Size of the Property Share in the Property and its Total Value**

| Line | Full name | Address | Passport Series, Number, Issuing Authority and Date of Issue | Size of Property Share, (in Percent of Total Property Value) | Value of Property Share in Hryvnia | Signature |
|------|-----------|---------|--|--|------------------------------------|-----------|
| 1    | 2         | 3       | 4  | 5  | 6                                  | 7         |
|      |           |         |  |  |                                    |           |

<sup>2</sup> In case the interests of the co-owners are represented by a non-government organization, the powers of the Supervisory Council (authorized persons) shall be exercised by such a non-governmental organization

*Appendix 1*

as of \_\_\_\_\_  
(date)

**Property to be Transferred to the Enterprise for No-fee Use**

| Line | Item | Unit of Measure | Item Value | Number | Total Value | Condition of Property |
|------|------|-----------------|------------|--------|-------------|-----------------------|
| 1    | 2    | 3               | 4          | 5      | 6           | 7                     |
|      |      |                 |            |        |             |                       |

**Transfer and Acceptance Statement by the Enterprise  
of the Property in Common Share Ownership of the Co-owners**

| Line | Item | Unit of Measure | Item Value | Number | Total Value | Condition of Property |
|------|------|-----------------|------------|--------|-------------|-----------------------|
| 1    | 2    | 3               | 4          | 5      | 6           | 7                     |
|      |      |                 |            |        |             |                       |

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# Labor Relations in Restructured Enterprises

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# Labor Relations in Restructured Enterprises

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Approved \_\_\_\_\_  
 (name of body that approved the Procedures)

\_\_\_\_\_  
 (date)

Minutes # \_\_\_\_\_

## INTERNAL EMPLOYMENT PROCEDURES

\_\_\_\_\_  
 (name of legal entity)

### 1. GENERAL PROVISIONS

- 1.1. *The Internal Employment Procedures* (hereinafter the Procedures) of \_\_\_\_\_  
 (name of legal entity) (hereinafter the Enterprise) govern the organization of the Enterprise's work and production, establish the workday's duration and routine, the procedure for granting days off and annual leave, the use of incentives and disciplinary measures, labor safety and other measures.
- 1.2. The basis for the *Procedures* is the Enterprise's Charter and Ukrainian labor legislation having taken into consideration the Enterprise's production and economic conditions.
- 1.3. The *Procedures* shall be binding on all Enterprise employees and others working under the Labor Contract.

### 2. EMPLOYMENT, DISMISSAL AND TERMINATION

- 2.1. **Labor Contracts**
- 2.1.1. The Enterprise's Director, specialists and managers of its production units shall be employed on the terms and conditions provided by Labor Contracts<sup>1</sup>.
- 2.1.2. Enterprise employees shall exercise their right to work by concluding a Labor Contract.
- 2.1.3. A Labor Contract may be concluded for an indefinite period, or for a period specified by agreement of the parties.
- 2.1.4. When concluding a Contract for an indefinite period, the employee's period of employment is not stipulated by the parties to the Contract, giving the employee the right to cancel the Contract at any time. The Enterprise, in the person of its Director, has the right to cancel the Contract only on grounds provided by Ukrainian legislation (The *Labor Code* - in particular, Articles 40 and 41).
- 2.1.5. When concluding a Contract for a period specified by agreement of the parties, the parties determine the employment period upon whose expiration the Contract may be terminated by either the Enterprise or the employee. Contracts for temporary and seasonal work shall also be Contracts for a specified period.
- 2.1.6. Employees working less than a two-month (2) period, as well as those working less than a four-month (4) period as replacements for temporarily absent employees, shall be considered temporary employees.
- 2.1.7. Employees working as per an approved list for a specified period of time (a season) not exceeding six (6) months, shall be considered seasonal employees.
- 2.1.8. Contracts for temporary and seasonal work shall be concluded for the performance of specific work, the completion of which gives both parties to the Contract the right to terminate the Contract. An employee may cancel the Contract only according to

<sup>1</sup> If the Enterprise's founder is one individual, he may appoint himself the Enterprise's Director without concluding a Labor Contract.

Ukrainian legislation, while Enterprise management may cancel it pursuant to Articles 40 and 41 of the *Labor Code*, throughout the Contract's term.

2.1.9. A Labor Contract shall be concluded for a specified period when employment cannot be established for an indefinite period due to additional work, or in other cases provided by Ukrainian legislation.

## 2.2. Trial periods

2.2.1. A trial period stipulated by the parties' agreement may be established, in conformity with articles 26, 27 and 28 of the *Labor Code*.

2.2.2. The initiative for establishing a trial period shall be taken by the Enterprise's management, but becomes valid only by the parties' agreement.

2.2.3. A Labor Contract shall be considered concluded, and the employee hired, on condition that the Contract is canceled should he fail to perform his duties during the trial period.

2.2.4. Trial periods shall not be established for the following: persons under the age of 18; young employees upon graduation from vocational schools; young specialists upon graduation from higher educational establishments; persons transferred to the reserves from military and alternative (non-military) service; disabled persons given assigned work by recommendation of a medical-social committee of experts; persons hired to work from other locations and transferred to the job from other enterprises. Trial periods shall not be established for temporary and seasonal work employees.

2.2.5. Trial periods shall be stipulated in Orders on hiring for employment. If the results of the trial employment period are unsatisfactory, the Enterprise's management shall have the right to dismiss the employee without the trade union committee's consent.

2.2.6. The trial period may not exceed one (1) month for a technical employee and three (3) months for a professional employee, while in individual cases, the trial period may not exceed six (6) months by agreement with the trade union committee.

## 2.3. Conclusion of a Labor Contract

2.3.1. As a rule, a Labor Contract shall be concluded in writing.

2.3.2. A written Contract shall be binding upon:

- conclusion of a Labor Contract for employment under conditions with a high health risk probability;
- conclusion of a Special Contract;
- an employee's demand that a Labor Contract be concluded in writing;
- conclusion of a Labor Contract with a minor;
- and in other cases provided by Ukrainian legislation.

2.3.3. The conclusion of a Labor Contract shall be formalized by an Order or Instruction from the Enterprise manager on the employee's employment. The Labor Contract shall be considered concluded even if an Order or Instruction had not been issued, but the employee was actually hired for the job.

2.3.4. An individual invited for employment by transfer from another enterprise, institution or organization as the result of an agreement between enterprise managers may not be denied conclusion of a Labor Contract.

## 2.4. Employer's obligations

2.4.1. The Enterprise (its Director, or a manager or specialist of a production unit authorized by the director) shall be obligated to:

- explain to employee his rights and obligations;
- keep employee informed regarding work conditions and the presence of dangerous or hazardous production conditions at employee's workplace which have not been removed yet, with the possible consequences to employee's health, and oversee the signing of a document to that effect;
- inform employee regarding rights to benefits and compensation for work under dangerous or hazardous production conditions in conformity with Ukrainian legislation

and the Collective Agreement;

- provide employee with the *Internal Employment Procedures* and provisions of the Collective Agreement;
- assign employee his workplace;
- provide employee with the necessary tools and equipment for work;
- instruct employee on production, sanitation, labor hygiene, safety, and fire safety, techniques.

## 2.5. **Employment requisites**

### 2.5.1. For hiring purposes, the employee shall submit the following:

- his workbook
- passport
- military service documents
- diploma or other document as proof of education or vocational training, if necessary.

### 2.5.2. Those being employed for the first time shall submit a certificate of prior activity instead of a workbook.

### 2.5.3. The Enterprise shall not require documents or information not mandated by legislation.

### 2.5.4. Preliminary medical examinations shall be mandatory for persons under 18 years of age being employed under hazardous or dangerous conditions, and for work related to vehicular traffic and public catering establishments.

### 2.5.5. Upon employment, the employee shall complete an application in written form wherein he requests to be assigned to a specific position and trade. The application shall also include the addressee, applicant's surname, name and patronymic, residence, name of document (application), text, signature and date.

### 2.5.6. Upon issuance of an employment order, the employee's personal card (form T-2) shall be completed with a corresponding entry made in his workbook.

## 2.6. **Termination**

### 2.6.1. A Labor Contract shall be terminated on the following grounds:

- the parties' consent - termination of the Labor Contract may be initiated by either the employee or Enterprise management, but both parties must agree as to the fact of the Contract's termination and the termination date;
- the Contract's term expires — an individual request of the employee or Enterprise manager shall terminate the Labor Contract, except in cases when employment continues and neither party requests termination;
- induction or entry into military service, including enrollment in a military school;
- employee initiates termination of the Labor Contract pursuant to Articles 38 and 39 of the *Labor Code*, Enterprise management initiates termination pursuant to Articles 40 and 41 of the *Labor Code*, or the trade union organization or other representative body authorized by the workforce demands termination pursuant to Article 45 of the *Labor Code*;
- transfer of employee upon his consent to another enterprise, institution, organization, or transition to an elective office per Article 36, Paragraph 5 of the *Labor Code*;
- employee's refusal to be transferred for employment at another Enterprise location, and refusal to continue employment due to substantial changes in work conditions;
- deprivation of employee's liberty as a result of a court judgment (except in cases where the sentence is suspended, or its execution postponed), employee performs corrective labor not at the place of employment, or undergoes other punitive measures which make continuation of his present employment impossible;
- those grounds provided by the Contract;
- employee is sent for mandatory medical treatment by a court ruling pursuant to Article 37 of the *Labor Code*.

### 2.6.2. In the event that the Enterprise's owner changes, or the Enterprise is reorganized (merger, association, restructuring), the Contract's term shall remain in force.

### 3. WORK HOURS

- 3.1. The standard workweek for Enterprise employees shall be established at forty (40) hours. In those production sectors or areas of employment where it is impossible to comply with the established standard workday and workweek, accounting for work hours shall be applied so that the accounting period does not reflect more than the standard number of hours worked.
- 3.2. For individual employee categories, a reduced workweek shall be introduced in conformity with Ukrainian labor legislation.
- 3.3. A six-day workweek shall be established at the Enterprise.
- 3.4. On days preceding holidays and days off, the workday shall be shortened by one hour.
- 3.5. Work shall begin at \_\_\_\_\_ and end at \_\_\_\_\_. For employees, the lunch break shall be from \_\_\_\_\_ to \_\_\_\_\_. For production units: (specify).
- 3.6. Overtime, which must be approved by the trade union committee, shall be worked in cases provided by Ukrainian labor legislation with respect to production necessity.
- 3.7. **Days off**
  - 3.7.1. All Enterprise employees shall be granted days off every week. Sunday shall be a day off for every employee, except as provided in § 3.7.2.
  - 3.7.2. In crop farming, construction, and other sectors of a seasonal nature, the Enterprise management may carry days off over to weekdays by agreement with the trade union committee. Employees in animal husbandry and other sectors with an uninterrupted production cycle shall be granted days off in conformity with a timetable approved by the production unit manager.
- 3.8. **Vacation and leave**
  - 3.8.1. Enterprise employees shall be granted annual leave in the amount of twenty-four (24) calendar days for time worked during the employment year calculated from the date the Labor Contract is concluded.
  - 3.8.2. Individual categories of Enterprise employees shall be granted additional paid leave pursuant to the Law "On Vacations".
  - 3.8.3. The Enterprise may establish additional leave of longer duration than provided by legislation under the Collective Agreement's terms and conditions.
  - 3.8.4. Enterprise employees shall be granted any additional leave provided by Ukrainian legislation.
  - 3.8.5. Leave without pay shall be granted by binding procedure where provided by the Law "On Vacations" to employees requesting it, as well as leave without pay by the parties' agreement, but not for more than fifteen calendar days a year.
  - 3.8.6. Enterprise employee annual leave shall be granted according to a timetable approved by the Enterprise manager upon agreement with the trade union committee.

### 4. LABOR SAFETY

- 4.1. The Enterprise manager shall be responsible for organizing work conditions to ensure that the Enterprise's labor safety standards are maintained. The manager shall ensure compliance with labor safety legislation, and established sanitation and fire safety standards, and that employees' rights guaranteed by labor safety legislation are protected. For this purpose the manager shall:
  - appoint to sectors and production units persons responsible for implementing practical measures on improving labor safety and hygiene, fire safety, road traffic and environmental protection;
  - approve instructions for the duties of those appointed persons and the rights and liabilities of performing these functions.

## 5. INCENTIVES

- 5.1. The Enterprise shall use the following incentives in order to achieve high production results and reward employees for other achievements:
- commendations
  - bonuses
  - gifts
  - others (specify)
- 5.2. Incentives shall be made public by the Enterprise manager's Order upon approval of the trade union committee.

## 6. DISCIPLINARY MEASURES

- 6.1. For violating the *Internal Employment Procedures*, labor legislation, the Orders and Instructions of Enterprise managers, production unit managers and specialists, production discipline, labor safety procedures, production, sanitation and fire safety standards, and for the unauthorized use of tractors, motor vehicles, cattle and other Enterprise property for personal purposes, the following measures shall be applied:
- reprimand
  - dismissal
- 6.2. A disciplinary measure shall be imposed by issuing an Order which the employee acknowledges by signing it.
- 6.3. For each violation of labor discipline only one disciplinary measure may be applied and imposed directly for the violation, but no later than one (1) month from the date of the violation's discovery, without allowance for the employee's absence from work due to temporary disability or vacation.  
A disciplinary measure may not be imposed any later than six (6) months from the date the violation has been committed.
- 6.4. Prior to applying the disciplinary measure, the employee shall be requested to provide a written explanation. Should he refuse to do so, a statement to this effect shall be drafted.
- 6.5. If no new disciplinary measures are imposed for one (1) year from the date the disciplinary measure was imposed, the employee shall be deemed as not having a disciplinary measures record.
- 6.6. No incentives shall be available to the employee while the disciplinary measure is in effect.
- 6.7. Disciplinary action taken with respect to an employee shall not relieve him from liability if his actions caused material damage to the Enterprise.
- 6.8. Labor disputes between Enterprise employees, regardless of their position in the Enterprise, shall be considered by a commission on labor disputes established during a meeting of the workforce.

## 7. COMPLIANCE

- 7.1. The *Internal Employment Procedures* shall be placed in conspicuous places in the Enterprise's administration building and at its production units.
- 7.2. Control over compliance with the *Internal Employment Procedures* shall be vested in the Enterprise \_\_\_\_\_

(post, surname, name, patronymic)

Approved  
by the General Assembly  
of the \_\_\_\_\_  
(name of enterprise)  
workforce \_\_\_\_\_  
(date: day, month, year)  
Minutes # \_\_\_\_\_

## COLLECTIVE AGREEMENT

\_\_\_\_\_ Village \_\_\_\_\_  
(date: day, month, year)

The Owner(s) of \_\_\_\_\_ enterprise  
(name of enterprise)

(hereinafter the Enterprise), in the person of \_\_\_\_\_  
(hereinafter the Management), and the workforce of the Enterprise, in the person of its autho-  
rized representative \_\_\_\_\_

(leader of trade union committee, representative of the workforce council)

(hereinafter the Employees), have concluded this Collective Agreement (hereinafter the Agreement) on the terms and conditions described below in order to facilitate the regulation of labor relations and socioeconomic interests at the Enterprise.

### 1. SUBJECT

- 1.1. The present Collective Agreement has been drafted in conformity with the Law "On Collective Agreements and Contracts" dated 1 July, 1993 and establishes reciprocal production, labor and socioeconomic relations between the Enterprise's Management and Employees.
- 1.2. The undersigned parties shall be bound by the Agreement's terms and conditions. In the event that disputes or disagreements arise, these terms and conditions may not be interpreted to the detriment of the Employees' working conditions as they are provided for by Ukrainian legislation.
- 1.3. The Agreement's provisions shall apply to all Enterprise Employees regardless of their trade union membership, and be binding on the Owner(s) and management, as well as each workforce member.
- 1.4. None of the undersigned parties may unilaterally terminate the performance of these provisions.
- 1.5. The Agreement shall remain in force despite any changes in composition, structure and name that may occur with the Enterprise's Management. The Agreement may be reviewed by the parties' mutual consent in the event of the Enterprise's reorganization.
- 1.6. Should the Owner(s) change, the Agreement shall remain in force for not more than one (1) year of the stated period, during which the parties shall enter negotiations regarding amending the Agreement in force, or signing a new one. The present Agreement's provisions shall remain in force until a new Agreement is signed.

### 2. ORGANIZATION OF LABOR AND PRODUCTION

- 2.1. The Labor Contract signed by the Management and the Employees may not contain provisions contradicting the provisions of the present Agreement if they in any way

- limit the Employee's rights and interests. Should such a situation arise, it shall render any contradictory Labor Contract provisions invalid.
- 2.2. The Enterprise shall be obligated to establish, develop and approve each Employee's functional duties in the Labor Contract and familiarize them with these duties. The Management shall have the right to demand performance only of such functional duties from Employees and, not have the right to demand that Employees perform work not stipulated by the Labor Contract.
  - 2.3. Each Employee shall be obligated to perform his duties conscientiously and efficiently, work honestly and diligently, comply with work discipline, fulfill the authorized Management representatives' Instructions in a timely and precise manner, comply with technological requirements and labor safety legislation, treat the Enterprise's property with care and submit reports on the performance of his work duties upon Management request.
  - 2.4. Employees may be dismissed from the Enterprise in the event of a change in its production organization or a workforce reduction, in which cases they shall be personally notified by the Management regarding their future dismissal not less than sixty (60) days prior to the dismissal. Accordingly, the Enterprise shall provide the Employee with other employment compatible with his trade, and if this is not possible, or the Worker refuses the job, he shall be instructed to seek employment independently. An Employee who is dismissed for reasons stated in this Article shall be paid wages for the entire period of his employment search, but not for more than three (3) months following the dismissal.
  - 2.5. An Employee's dismissal shall be permitted only after all of the Enterprise's employment opportunities have been exhausted.

### 3. REMUNERATION

- 3.1. Wages/salaries shall be paid at the workplace twice monthly, on the \_\_\_\_ and \_\_\_\_ (date) of every month. When paydays coincide with weekends, Employees shall be paid on the preceding workday. Wages/salaries for temporary leave shall be paid no later than \_\_\_\_ days prior to the beginning of the leave.
- 3.2. Employee wage/salary information shall be provided to other bodies and persons only in cases directly provided for by Ukrainian legislation.
- 3.3. When signing the Labor Contract, the Management shall notify the Employee regarding the amount, procedure and time of wage/salary payment, and the conditions on which payment deductions may be made.
- 3.4. Employee wages/salaries shall be comprised of regular pay, additional pay, and other incentive and entitlement payments. Both regular and office Employees shall receive regular pay as mandatory remuneration for work performed in conformity with established standards (hourly rates, output, servicing, work duties), but a regular Employee shall receive regular pay in the form of tariff rates and contractual rates.
- 3.5. Additional pay shall be remuneration for work in addition to the established rates, for work achievements and inventiveness, and for work done under special conditions. Additional pay shall include bonuses, retention and entitlement payments provided for by Ukrainian legislation (e.g., extra payments for combining professions [positions], performance of duties of temporarily absent Employees and, compensation during business trips, extra payments for overtime work, holidays, days off and night hours, and compensation for the wear of an Employee's own instruments and other items).
- 3.6. The extra payments, bonuses, and retention and entitlement payments shall be stipulated in the Collective Agreement on the basis of the parties' arrangements according to Ukrainian legislation. Payment for each hour of night work may not be less than twenty (20) percent greater than the tariff rates set for regular pay, in conformity with Article 108 of the *Labor Code*. Average wages/salaries shall be calculated pursuant to

the *Regulation on the Procedure for Calculating Average Wages/Salaries* approved by the Cabinet of Ministers Resolution of 8 February, 1995. Other incentive and entitlement payments shall be awards for annual achievements, bonuses awarded on the basis of special pay and provisions systems, entitlement and other monetary and material remuneration provided by Ukrainian legislation or made in ways not established by legislation.

- 3.7. The exact tariff and contractual rate amounts for regular Employees and regular pay for office Employees shall be determined, within the limits of the available payroll fund and according to the Employees' trades, professions, skill levels, the complexity of the work they perform and work conditions and, on an individual basis in each Employee's Labor Contract. Under no circumstance may regular pay be less than the subsistence minimum established by Ukrainian legislation.
- 3.8. Overtime work, as well as work performed during holidays, days off and weekends that is not compensated by offset periods, shall be paid for at twice the normal rate.
- 3.9. The Management shall refer to the *Labor Code* and the Law "On Labor Remuneration" dated 24 March, 1995 when resolving all other payment issues.

#### 4. ENTITLEMENTS AND BENEFITS

- 4.1. Employees shall be granted guarantees and entitlement payments for business trips, business travel in the countryside, and in other cases provided by Ukrainian legislation.
- 4.2. The Enterprise shall establish additional guarantees, entitlement payments and benefits not provided by Ukrainian legislation including, but not limited to, compensation for the use of personal motor vehicles and for business trips at rates higher than legally established, guarantees that individual protection devices for guard and security service Employees are provided, and additional benefits for specific Employee categories.

#### 5. PROCEDURES AND WORK HOURS

- 5.1. Regular employment procedures shall be established at the Enterprise and be binding on all Employees.
- 5.2. The workday shall begin at \_\_\_\_\_ and end at \_\_\_\_\_. Breaks for rest and lunch shall begin at \_\_\_\_\_ and end at \_\_\_\_\_. Saturdays and Sundays \_\_\_\_\_ shall be days off.
- 5.3. In any event, the workday shall not exceed the legally established 40 hours per week.
- 5.4. On days preceding holidays and days off, the workday shall be shortened by one hour.
- 5.5. Employees shall be granted annual leave of not less than \_\_\_\_\_ calendar days.
- 5.6. The Management of the Enterprise shall approve the schedule of regular annual leaves no later than \_\_\_\_\_ each year based on proposals submitted by the workforce  
(date)  
no later than \_\_\_\_\_.  
(date)
- 5.7. Allowance for each Employee's family and other personal circumstances shall be made when determining the order of leave priority.
- 5.8. Short-term leave without pay due to family circumstances and for other valid reasons may be extended upon application of the Employee for a period determined by agreement between the Employee and Management for a period of not more than fifteen (15) calendar days.
- 5.9. The Management may grant Workers leave without pay for a period of not more than \_\_\_\_\_ calendar days a year, and leave with partial pay in the amount of \_\_\_\_\_ in the event that the Enterprise undergoes a period of idle time for reasons beyond its

control.<sup>1</sup> The Employee shall be informed of the leave no later than \_\_\_\_\_ days prior to its start if such leave is granted on the Management's initiative.

- 5.10. All Employees shall be obligated to be off the Enterprise's premises after work hours, and not invite any non-employees to the Enterprise without Management permission, given the absence of work-related reasons.

## 6. EMPLOYMENT, DISMISSAL AND TERMINATION

- 6.1. The forms, terms and conditions of a Labor Contract, including grounds for dismissal provided by Ukrainian legislation, shall be subject to agreement with the trade union committee representing the Enterprise.
- 6.2. The Employee is obligated to familiarize himself with the Collective Agreement's terms and conditions, and confirm his understanding of them with his signature.
- 6.3. An Employee may not be dismissed because of the elimination of his job if he has less than \_\_\_ years left to work before reaching retirement age.

## 7. LABOR SAFETY

- 7.1. The Enterprise's Management shall be obligated to ensure, in compliance with Ukrainian labor safety legislation:
- the safety of work conditions;
  - the safety of technological processes, machine use, mechanisms, equipment and other means of production;
  - the availability of protective devices;
  - conformity with sanitary conditions.
- 7.2. An Employee retains the right to reject an assigned job that poses a threat to his or others' health or life and to the environment, if such terms are not directly stated in Labor Contracts.
- 7.3. Employees shall be obligated to know and fulfill Ukrainian labor safety legislation requirements which include the rules for operating machines, mechanisms, equipment and other means of production, individual and collective protective devices, and to undergo obligatory medical examinations.<sup>2</sup>
- 7.4. Management shall be obligated to compensate an Employee for damage and injury caused to his health during the performance of his work duties, and pay moral damages caused as a result of dangerous or harmful work conditions, in compliance with the terms and procedures stipulated in Articles 173 and 173-1 of the *Labor Code*, Articles 11-13 of the Law "On Labor Protection" dated 14 October, 1992 and the *Rules on Compensation for Enterprise Owners, Institutions and Organizations or their Authorized Bodies for Damage and Injury to an Employee's Health During the Performance of Work Duties* approved by a 23 June, 1993 Cabinet of Ministers Resolution, and other legislation.
- 7.5. Employees shall be obligated to use motor vehicles, machinery and other property provided to them by the Enterprise for authorized purposes only.

## 8. EMPLOYEE BENEFITS

- 8.1. The Enterprise's Management shall guarantee an Employee leave in order to undergo medical examinations, receive medical assistance, and visit State bodies for resolving

<sup>1</sup> For example, in the amount of 2/3 of the tariff rate or regular pay for a period of less than \_\_\_\_\_ calendar days.

<sup>2</sup> Additional Employee obligations may be stipulated in a Collective Agreement.

- necessary residential/domestic problems, without any deductions from his pay or application of other penalties.
- 8.2. Interest-free loans may be granted an Employee at the Enterprise's expense. Decisions on granting such loans shall be made by the Management based on the Enterprise workforce's recommendations.
  - 8.3. Families with many children, and those with low incomes, shall be granted assistance in the form of a one-time allowance for each child, or assistance in the form of rent and municipal services payments.
  - 8.4. From profit remaining at the Enterprise's disposal, the Management shall allocate \_\_\_\_\_ Hryvnias to reduce meal prices at the Enterprise's cafeteria.

## 9. EMPLOYEE REPRESENTATIVE ORGANIZATIONS

- 9.1. The Enterprise shall guarantee the freedom of assembly and activity to the trade union organization, the workforce council, and for General Assemblies held by the workforce during time off.

## 10. PARTY LIABILITY, SETTLEMENT OF DISPUTES

- 10.1. The parties shall be held liable according to Ukrainian legislation for failure to perform, or inadequate performance of, their duties per the Agreement.
- 10.2. Individuals representing the Enterprise's Management, trade unions, and other bodies authorized by the workforce, through whom the Agreement's obligations have been violated or not performed, are answerable with their administrative responsibility to the workforce council, or Management executives' representative, which submit information to the procurator's office. Management and Employees may undergo disciplinary measures only upon examination of the offense, for which the alleged offender must provide a written explanation.
- 10.3. Disputes between the parties shall be settled by procedures provided by Ukrainian legislation.
- 10.4. Disciplinary, administrative or criminal liability shall not annul the violating parties' civil or material liability.

## 11. FINAL PROVISIONS

- 11.1. The Agreement shall be in force as of the date it is signed by the parties.
- 11.2. Amendments and alterations to the Agreement throughout its term may be introduced only by the parties' mutual consent.
- 11.3. Control over the Agreement's performance shall be exercised directly by the parties or their authorized representatives by the parties' consent, orally or in writing.
- 11.4. The parties to the Agreement shall report to the workforce General Assembly no later than \_\_\_\_\_ annually on the Agreement's implementation.  
(date)

\_\_\_\_\_  
(Management representative's signature)

\_\_\_\_\_  
(the workforce council representative's  
or trade union organization leader's signature)

## EMPLOYMENT CONTRACT

\_\_\_\_\_ Village

\_\_\_\_\_ (date: day, month, year)

The \_\_\_\_\_ enterprise (hereinafter the Enterprise),  
(name of enterprise)

represented by \_\_\_\_\_  
(enterprise director's surname, name and patronymic)

(hereinafter the Employer), and Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic)

(hereinafter the Employee), have concluded this Employment Contract (hereinafter the Contract) for a fixed period to govern their labor relations, whereby the Employee is hired for employment at the \_\_\_\_\_ (collective, farm, other)  
(name of structural unit)

in the position of \_\_\_\_\_ at \_\_\_\_\_ level, for which a trial period  
(trade, profession, position) (qualification category)  
of \_\_\_\_\_ shall/shall not (indicate which) be set.  
(specify period)

The Contract is concluded according to the terms and conditions described below.

### 1. OBLIGATIONS

#### 1.1. Employer

1.1.1. The Employer shall be obligated to pay the Employee his wage/salary, and provide the Employee with the necessary conditions for the work's performance as provided for by Ukrainian legislation, the Collective Agreement and the present Contract, organize work in order to provide the Employee with safe conditions, and plan and equip the work area in compliance with Ukrainian labor safety legislation.

#### 1.2. Employee

1.2.1. The Employee shall be obligated to perform the work specified by the Contract according to the Enterprise's internal work procedure rules, and in compliance with regulations and the rules of labor and fire safety, production hygiene, and other rules provided by Ukrainian legislation (specify, if necessary).

### 2. WORK HOURS

2.1. The Employee's work hours shall be established as (abbreviated, part-time, hourly)  
\_\_\_\_\_ (specify)

### 3. REMUNERATION AND BENEFITS

3.1. The Employee shall be paid regular pay based on tariff/contractual (indicate which) rates in the amount of \_\_\_\_\_ Hryvnias per month/hour (indicate which) for the performance of his duties under the Contract, and a \_\_\_\_\_  
(specify types of additional payments, bonuses, or other)  
bonus, or other additional payment in the amount of \_\_\_\_\_ percent of the (tariff rate, regular pay).

- 3.2. The Employee shall be compensated \_\_\_\_\_  
(specify types and amount of compensation)  
for the use of his own car on business trips.
- 3.3. The Employee shall be granted paid annual leave of \_\_\_\_\_ regular and \_\_\_\_\_ additional days.
- 3.4. Material assistance in the amount of \_\_\_\_\_ Hryvnias shall be paid in addition to annual leave.
- 3.5. Additional benefits, entitlements, and compensation shall consist of \_\_\_\_\_  
(specify, if necessary)

#### 4. LIABILITIES AND SETTLEMENT OF DISPUTES

- 4.1. Failure to perform, or inadequate performance of, the duties stipulated in the Contract, shall render the parties liable according to Ukrainian legislation and the Contract.
- 4.2. Disputes between the parties shall be settled by procedures established by Ukrainian legislation.

#### 5. VALIDITY

- 5.1. The Contract shall enter into force as of the date of its signing by the parties and remain in force until \_\_\_\_\_  
(date)

#### 6. CHANGES, TERMINATION AND CANCELLATION

- 6.1. The parties shall introduce amendments and changes to the Contract in writing by their consent.
- 6.2. The Contract shall become invalid:
- upon its expiration;
  - by the parties' consent;
  - upon the Contract's expiration in cases provided by Ukrainian legislation.
- 6.3. Additional guarantees and compensation shall be established in the form(s) and amount(s) of \_\_\_\_\_  
in the event of the Contract's early termination for reasons beyond the Employee's control.
- 6.4. A party shall give two (2) weeks notice of the Contract's early cancellation resulting from failure to perform, or inadequate performance of, obligations under the Contract.
- 6.5. The parties may consent to extend or renew the Contract sixty (60) days prior to the Contract's expiration.

#### 7. OTHER CONDITIONS

- 7.1. One copy of the Contract is made for each of the parties, with both having equal legal force.
- 7.2. Attachments: \_\_\_\_\_
- 7.3. Other conditions related to the specific features of the job: \_\_\_\_\_  
\_\_\_\_\_

7.4. Employer information:

Full name \_\_\_\_\_  
Legal address \_\_\_\_\_  
Settlement account \_\_\_\_\_

7.5. Employee information:

Home address \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Passport: Series \_\_\_\_\_, # \_\_\_\_\_  
Issued \_\_\_\_\_ by \_\_\_\_\_  
(date) (name of passport issuing body)

7.6. Basis for receiving tax and other benefits: \_\_\_\_\_

(specify number of children, dependents, other bases)

Employer

Employee

\_\_\_\_\_  
(office, surname, name, patronymic, signature)

\_\_\_\_\_  
(surname, name, patronymic, signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(date)

*Seal*

**CONTRACT****FOR THE POSITION OF DIRECTOR/EXECUTIVE DIRECTOR OF <sup>1</sup>**\_\_\_\_\_  
(name of legal entity)**AGRICULTURAL LIMITED LIABILITY COMPANY**\_\_\_\_\_  
(date)\_\_\_\_\_  
Village\_\_\_\_\_  
(date: day, month, year)

The Chairman of the \_\_\_\_\_ Agricultural Limited Liability  
(name of company)  
Company (hereinafter the Company), Mr./Ms. \_\_\_\_\_,  
(surname, name, patronymic)  
acting on the basis of the Resolution of the General Assembly of Founding Members of  
\_\_\_\_\_, Minutes # \_\_\_\_\_, and Mr./Ms. \_\_\_\_\_,  
(date) (surname, name, patronymic)  
have concluded this Contract for the Position of Director/Executive Director of  
\_\_\_\_\_ Agricultural Limited Liability Company (hereinafter the Contract)  
in order to appoint Mr./Ms. \_\_\_\_\_ as the  
Director/Executive Director (hereinafter the Director) of the Company according to the terms  
and conditions described below.

**1. GENERAL PROVISIONS**

- 1.1. The Director shall be obligated to manage the Company directly or through specialists who answer to him and ensure its performance at a highly efficient level.
- 1.2. Labor relations between the Director and the Company shall be governed by the Contract.
- 1.3. The Director shall be the Company's authorized representative while exercising his authority and fulfilling the Company's functions and obligations provided by the Company's Charter and other legislation.
- 1.4. The Director shall be accountable to the Founding Members during General Assemblies.

**2. RIGHTS AND OBLIGATIONS**

- 2.1. Director's rights
  - 2.1.1. The Director shall have the right to:
    - act on the Company's behalf, represent it in its relations with all enterprises, institutions and organizations;
    - conclude economic and other contracts;

<sup>1</sup> This model contract has been prepared for an Agricultural Limited Liability Company, but may also be used for drafting contracts for the position of Director/Executive Director and other officials of other legal entities with different organizational and legal forms.

- issue instructions;
  - open bank accounts;
  - dispose of the Company's funds;
  - impose penalties on employees in compliance with the requirements of Ukrainian legislation;
  - issue orders, instructions and directions within his competence that shall be binding for all Company units and employees;
  - resolve other issues not delegated to the competence of the General Assembly of Founding Members by the Company Charter.
- 2.1.2. The Director shall conclude labor contracts with the Company's employees in compliance with Ukrainian legislation.
- 2.1.3. The Director shall rely on the Company Charter for guidance, collective agreements, and the Company's financial circumstances when concluding labor contracts and specifying the terms and conditions of work and time off.
- 2.2. **Obligations**
- 2.2.1. The Director shall manage the Company, which shall include organizing its production, economic, social, community, and other activities, ensure achievement of the Company's objectives provided by the Company's Charter and this Contract, and ensure achievement of the Company's production goals and profit forecasts as per the Attachment.
- 2.2.2. The Director shall report on the Company's activities as stipulated by the Contract on an annual basis at the General Assembly of Founding Members.
- 2.3. **Company's rights**
- 2.3.1. The Company's General Assembly members shall have the right to demand at a General Assembly meeting that the Director submit his report ahead of time in the event that he failed to perform, or inadequately performed, his obligations.

### 3. REMUNERATION

- 3.1. The Director shall receive payment for performing his obligations under the Contract calculated on the following basis:
- regular pay in the amount of \_\_\_\_\_ Hryvnias, and a time-based rate (hourly, for example) for actual time worked;
  - for a scientific degree obtained, \_\_\_\_\_,  
(indicate type of additional payment)  
in the amount of \_\_\_\_\_ Hryvnias (or added as a salary percentage), and a time-based rate for actual time worked;
  - additional payments, \_\_\_\_\_,  
(indicate type of additional payment[s])  
in the amount of \_\_\_\_\_ Hryvnias (or added as a salary percentage), and a time-based rate for actual time worked;
  - bonus added in the amount of \_\_\_\_\_ percent of the salary, calculated by taking extra fees and additional payments into consideration.
- 3.2. Bonuses shall not be paid: \_\_\_\_\_  
(list instances)
- 3.3. The Director shall receive the following conditional payments:
- annual performance bonus if the Company's production goals are achieved;
  - bonus for extended meritorious work as stipulated by the Company's Regulations;
  - part of the Company's profits if he is a Company Founder, in compliance with Article \_\_\_\_\_ of the Company's Charter.

4.4.

3.4. Conditions determining whether the indicated payments, additional fees, bonuses, and performance rewards are increased or decreased shall be: \_\_\_\_\_

(list conditions)

for purposes of an increase; and \_\_\_\_\_

(list conditions)

for purposes of a decrease.

3.5. The Director shall be granted paid annual leave in the amount of \_\_\_\_\_ working days. Payment for leave shall be based on his average earnings calculated according to procedure provided by Ukrainian legislation. In addition to paid leave, the Director shall be provided with material assistance for health reasons in an amount equal to \_\_\_\_\_ months of his salary.

3.6. The Director shall receive a lump sum payment of \_\_\_\_\_ Hryvnias, representing \_\_\_\_\_ salaries, in the event of his retirement.

#### 4. LIABILITIES AND SETTLEMENT OF DISPUTES

- 4.1. The parties shall be held liable under Ukrainian legislation and according to this Contract for failure to perform, or inadequate performance of, obligations.
- 4.2. Disputes between the parties shall be settled by procedures provided for by Ukrainian legislation.

#### 5. VALIDITY

5.1. The present contract shall come into force on \_\_\_\_\_ and remain in effect until \_\_\_\_\_  
(date) (date)

#### 6. CHANGES, TERMINATION AND CANCELLATION

- 6.1. Changes and amendments to this Contract shall be introduced by concluding additional contracts.
- 6.2. The present Contract shall become invalid:
- upon its expiration;
  - by the parties' consent;
  - on other grounds provided for by Ukrainian legislation and this Contract.
- 6.3. The Director may be dismissed from office and this Contract canceled prior to its expiration at the initiative of the General Assembly of Founding Members during a General Assembly meeting in the following cases:
- he systematically, and without valid cause, fails to perform his obligations under the Contract;
  - he is in violation of legislation or his obligations under the Contract, as a result of which the Company suffers substantial negative consequences;
  - on other grounds \_\_\_\_\_

(if necessary, specify)

6.4. The Director may cancel the Contract prior to its expiration upon his own initiative in the following cases:

- a) the Company's systematic failure to perform its obligations under the Contract,
  - b) the adoption of decisions at a General Assembly meeting of Company members restricting or worsening the Director's rights and competence;
  - c) interference in the Director's operational and administrative work that may result, or has already resulted in, the Company's substandard economic performance;
  - d) the Director's illness or other circumstance that interferes with the performance of his obligations under the Contract;
  - e) for other valid reasons.
- 6.5 The following guarantees and compensation shall be established in the event of the Contract's early termination for reasons beyond the Director's control: \_\_\_\_\_
- 6.6 This Contract may be extended, or a new Contract concluded for another term, by the parties' consent two (2) months prior to its expiration.
- 6.7 Either party may terminate the Contract by giving two (2) weeks notice.
- 6.8 If the Contract is canceled on grounds stipulated in the Contract but not provided for by Ukrainian legislation, an entry to this effect shall be made in the Director's work-book in compliance with Article 36, Paragraph 1, Point 8 of the Labor Code.

### 7. OTHER CONDITIONS

- 7.1. A copy of the Contract is made for each party, both having equal legal force.
- 7.2. Attachments (list): \_\_\_\_\_
- 7.3. Additional terms and conditions, if any, specific to the contract: \_\_\_\_\_
- 7.4. Company information:  
Full name \_\_\_\_\_  
Address \_\_\_\_\_  
Settlement account \_\_\_\_\_
- 7.5. Director:  
Home address \_\_\_\_\_  
Home telephone: \_\_\_\_\_  
Office telephone: \_\_\_\_\_  
Passport \_\_\_\_\_, Series \_\_\_\_\_, # \_\_\_\_\_, issued \_\_\_\_\_ (date)  
by \_\_\_\_\_  
(name of body that issued the passport)

On behalf of the Company

Director

\_\_\_\_\_  
(office, surname, name, patronymic)

\_\_\_\_\_  
(surname, name, patronymic)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(date)

**To:**  
Chairman (Director) \_\_\_\_\_  
of \_\_\_\_\_  
(name of legal entity)

**From:**  
Mr./Ms. \_\_\_\_\_  
(surname, name, patronymic)

\_\_\_\_\_  
(address)

### EMPLOYMENT APPLICATION

I hereby request to be admitted to work in the capacity of \_\_\_\_\_  
\_\_\_\_\_ from \_\_\_\_\_  
(post or job requested) (date)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(signature)

\_\_\_\_\_ (name of enterprise)

**EMPLOYMENT ORDER**

\_\_\_\_\_ (date)

No. \_\_\_\_\_

\_\_\_\_\_ Village

Regarding the employment of Mr./Ms. \_\_\_\_\_ (surname, initials)

Mr./Ms. \_\_\_\_\_ has been admitted to work in the capacity of \_\_\_\_\_ (post) from \_\_\_\_\_ (date)

Basis: application of Mr./Ms. \_\_\_\_\_ (surname, initials) of \_\_\_\_\_ (date)

Chairman (Director) \_\_\_\_\_ (signature)

I have familiarized myself with the Order.

\_\_\_\_\_ (signature) Mr./Ms. \_\_\_\_\_ (surname, initials)

## EMPLOYEE LIABILITY CONTRACT

Pursuant to Article 135-1 of the *Labor Code* and per Order # \_\_\_\_\_ of the enterprise Director of \_\_\_\_\_ on determining liability to ensure the safety of the property of \_\_\_\_\_

(date)

\_\_\_\_\_, in the person of \_\_\_\_\_

(name of enterprise)

Mr./Ms. \_\_\_\_\_ (hereinafter \_\_\_\_\_

(position and full name)

the Management), and Mr./Ms. \_\_\_\_\_

(full name)

(hereinafter the Employee), have entered this Employee Liability Contract (hereinafter the Contract) on the terms and conditions described below.

### 1. SUBJECT

- 1.1. The Employee, in the position, or performing the job, of \_\_\_\_\_ which is directly related \_\_\_\_\_

(specify position held or job performed)

to the safekeeping, processing, sale, transportation or production of transferred property, assumes complete property liability for ensuring that property's safety.

### 2. OBLIGATIONS

#### 2.1. The Employee's obligations

- 2.1.1. Treat property with care and take measures to prevent damages to it.
- 2.1.2. Keep records and compile accounts of the movement and balance of property in stock.
- 2.1.3. Notify Management in a timely manner regarding any circumstances which pose a danger to the property.
- 2.1.4. Participate in the property's inventory.

#### 2.2. The Management's obligations

- 2.2.1. Create conditions necessary for the Employee's adequate performance of his duties, and ensure the property's safety.
- 2.2.2. Take immediate measures to detect and eliminate any conditions that result in the property's damage.
- 2.2.3. Familiarize the Employee with property liability legislation and with the instructions and rules for the acceptance, storage, processing, sale, distribution, transportation, or use of property in production processes and the accounting procedures pertaining to them.
- 2.2.4. Take inventory of property holdings according to the prescribed procedure.

### 3. DAMAGES AND PROPERTY VALUE CALCULATIONS

- 3.1. Damages to the enterprise shall be calculated based on actual losses, and also according to accounting records based on the balance value (production cost) of property less depreciation calculated according to rules established by legislation.

- 3.2. Damages due to theft, deficiency, and destruction of property shall be calculated according to the formula described below.<sup>1</sup>

The property's balance value <sup>2</sup> (less depreciation), taking inflation indices determined monthly by the State Statistics Committee, VAT, and excise tax into account, shall be calculated according to the following formula:

$$AD = [(Bc-D) \times Ri + VAT + Ecs] \times 2,$$

where AD is the amount of damage (in Hryvnias); Bc - the balance value as of the date that the property's theft, deficiency, and/or destruction is determined (in Hryvnias); D - depreciation (in Hryvnias); Ri - the general inflation index calculated for monthly inflation indices provided by the State Statistics Committee; VAT - the value added tax (in Hryvnias); and Ecs - the excise tax amount (in Hryvnias); though in no case shall damages be calculated as less than 50 percent of the balance value as of the date damages are incurred.

- 3.3. The cost of units, parts, semi-finished products and other products manufactured by the enterprise to satisfy its own needs, uncompleted shall be determined based on their production costs, accruing the enterprise's average profit per these products, using a coefficient of 2.
- 3.4. The cost of drinking ethyl alcohol, distilled ethyl alcohol, unpurified alcohol, and alcohol used in making wines, champagne, brandies, alcohol-based juices, and alcoholic brewed beverages shall be determined based on the manufacturer's wholesale price, taking the excise tax (per set rates), and value added tax into account. A coefficient of 3 shall be added to the sum received thereof.
- 3.5. The cost of fruit and berry juices, canned using anhydrite sulfur or sodium benzoate, shall be determined based on the manufacturer's wholesale prices and VAT, using a coefficient of 2.
- 3.6. Damages shall be determined according to the purchase price as of the reimbursement date, using a coefficient of 1.5 in the event of the theft or death of livestock.
- 3.7. Food products whose retail prices are subsidized shall be appraised by adding the sum of the subsidies to the retail prices.
- 3.8. In the event of the theft, deficiency or destruction of property holdings to be written off as expenses to the extent to which they are allocated toward production or operations (or purchased, in the case of budget-supported organizations), and are accounted for only in terms of quantity, the amount of losses shall be determined based on the market prices of similar property reduced by actual depreciation, but at no less than 50% of this market value.

#### 4. COMPENSATION FOR DAMAGES

- 4.1. The Employee shall be liable for damages to property incurred under circumstances that include, but are not limited to, theft, deficiency, deliberate destruction of or damage to the property, as well as loss through negligence as confirmed by inventory documents.
- 4.2. The Employee shall be released from liability for damages if these damages are not a result of the Employee's negligence.

<sup>1</sup> The calculation for damages is stated in the Resolution of the Cabinet of Ministers No. 116 "On the Procedures of Assessing Damages Incurred Due to Theft, Deficiency, and Destruction of Property Holdings" was approved on 22 January, 1996.

<sup>2</sup> Balance (which corresponds to historical) value is equal to the sum of an enterprise's expenses for purchase, shipment, mounting and construction of fixed assets.

- 4.3. Damages shall be recovered from the Employee's average monthly wage/salary per the Managing Director's written Order.
- 4.4. In other cases, the Management shall bring the matter to a Rayon court of law in order to recover the damages.
- 4.5. The Employee's employment may be terminated according to Ukrainian labor legislation.

## 5. VALIDITY

- 5.1. The Contract shall come into force on \_\_\_\_\_ and shall remain valid for the  
(date)  
the entire period during which the Employee performs the job or holds the position specified.

This Contract is made in two copies, with one copy each to be in the possession of the Management and the Employee.

### Party Addresses

The Enterprise's Management:

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The Employee:

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### Party Signatures

The Management:

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(full name, Management representative's position)

The Employee:

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(full name)

### COLLECTIVE LIABILITY CONTRACT

\_\_\_\_\_ Village

\_\_\_\_\_ (date: day, month, year)

\_\_\_\_\_ (hereinafter the Enterprise), in the  
(name of legal entity)  
person of the Director \_\_\_\_\_ (hereinafter  
(surname, name, patronymic)  
the Owner — meaning the legal entity represented by said individual), and the members of the  
workforce (team) of \_\_\_\_\_ in the person of the  
(name of shop, department, branch, farm, section, warehouse, etc.)  
workforce manager (Team Leader) \_\_\_\_\_  
(surname, name, patronymic)

(hereinafter the Team), concluded this Collective Liability Contract (hereinafter the Contract)  
in order to provide for the material safety of the Enterprise's property pursuant to Article 135-  
2 of the *Labor Code*, and on the basis of the Director's Order of \_\_\_\_\_ on the  
(date)

establishment of collective material liability, agreed to by the trade union committee (or  
another representative body authorized by the workforce), according to the terms and condi-  
tions described below.

### 1. GENERAL PROVISIONS

- 1.1. The Team shall assume collective liability in order to ensure the material safety of money, securities, property and other articles of value transferred to it by the Owner for the performance of \_\_\_\_\_, while the Owner shall create conditions \_\_\_\_\_, while the Owner shall create conditions  
(name type and nature of work)  
for the Team necessary for the fulfillment of obligations under the Contract.
- 1.2. The property and other articles of value \_\_\_\_\_ (specify their condition and cost)  
shall be transferred to the Team according to a list that shall be a binding attachment to the Contract. Substitutions of property and other articles of value transferred to the Team by the Owner shall be carried out by concluding additional contracts.

### 2. STAFFING PROCEDURE

- 2.1. The Team's workforce shall be staffed on a voluntary basis. New employees shall be enlisted as part of the Team by agreement with the workforce.
- 2.2. The Team Leader, appointed by the Owner, shall manage the Team. During the Team Leader's temporary absence, another Team member appointed by the Owner upon agreement with Team members shall manage the Team.
- 2.3. When individuals are dismissed from (leave), or are admitted to the Team, an Order shall be issued to this effect. The Order number and date of dismissed Team members shall be indicated opposite their signatures in the Contract, while admitted members shall sign the Contract and indicate their admission date.
- 2.4. In the event of the Team Leader's replacement or dismissal of more than half of the initial workforce, the Contract shall be void and a new contract entered into.

- 2.5. If an employee refuses to conclude the Contract, the Owner may transfer him to another job with his consent. The Owner shall dismiss the employee for reasons provided by Ukrainian legislation should the employee refuse the job offered, or the job is unavailable.
- 2.6. Team workforce membership may be terminated per Ukrainian labor legislation.

### 3. RIGHTS AND OBLIGATIONS

#### 3.1. Team members' rights:

- a) receive goods and exercise control over storage, processing, marketing, sale, transportation or use of property being produced;
- b) participate in the inventory of property transferred to the Team;
- c) become familiar with the movement and balance of the property transferred to the Team;
- d) demand inventory of the property transferred to the Team from the Owner, if necessary;
- e) submit well-grounded petitions to the Owner on the removal of Team members, including the Team Leader, who fail to ensure the property's material safety.

#### 3.2. Obligations

- a) handle the property with care and take measures to prevent damages to it;
- b) keep records according to established procedures, draft and submit reports on the movement and balance of the property in a timely manner;
- c) inform the Owner regarding all circumstances that threaten the property's safety in a timely manner.

#### 3.3. Owner's obligations

- a) create conditions for the Team necessary for work and the complete material safety of the property entrusted to them;
- b) take timely measures to detect and remove conditions interfering with the Team's work in keeping the property materially safe, detect those individuals responsible for causing damages and bringing them to account as prescribed by Ukrainian legislation;
- c) inform Team members regarding Ukrainian legislation with respect to employees' material liability for damages caused to the Enterprise, and to the instructions and rules for the receipt, storage, processing, marketing, sale, transportation and use of property being produced, and accounting procedures pertaining to them;
- d) jointly with the enterprise's trade union committee or other representative body address issues authorized by the workforce on the well-grounded demands of Team members to inventory the property;
- e) consider the Team's proposals on removal of an employee from the Team in that employee's presence and decide on his subsequent occupation in compliance with Ukrainian legislation;
- f) take account of information provided by Team members regarding conditions that threaten the property's material safety and take measures to remove those conditions;
- g) agree with the Team which of its members shall perform the functions of Team Leader during his absence.

### 4. ACCOUNTING AND REPORTING

- 4.1. The Team Leader shall undertake the receipt of property, and the accounting of and reporting on the property's movement according to established procedures. In his temporary absence, these functions shall be performed by a Team member appointed by the Owner.

- 4.2. Routine inventory shall be conducted on the dates established according to the rules in effect. Inventory shall also be taken:
  - a) during the Team Leader's replacement;
  - b) when fifty (50) percent of the workforce leaves the Team;
  - c) on demand of one or several Team members.
- 4.3. Reports on the movement and balance of property shall be signed by the Team Leader and one of the Team members. All Team members shall be informed as to the substance of the report.

### 5. COMPENSATION FOR DAMAGES

- 5.1. Material damages caused as a result of theft, deficiency, intentional destruction of or damage to property, as well as its destruction or damage resulting from negligence as confirmed by inventory documents, shall constitute the basis for holding Team members accountable and liable.
- 5.2. The Team shall be held accountable and liable to the Owner after a thorough examination of the reasons for the damage, allowing for written explanations submitted by Team members, and liability and accountability shall also be established, if necessary, based on the conclusions of specialists.
- 5.3. Team members shall be released from liability in the following cases:
  - a) it is established that damages were not caused through their fault;
  - b) specific members who caused the damage are identified.
- 5.4. The amount of damages caused by the Team with respect to the Owner shall be determined in compliance with Article 135-5 of the *Labor Code*. The procedure for damages compensation shall be regulated by Ukrainian legislation.
- 5.5. Damages subject to compensation shall be divided among the Team members in proportion to their monthly tariff rates (regular pay) and according to time worked within the period from the last inventory to the date the damage was detected.

The Contract shall come into force from \_\_\_\_\_ and be effective throughout  
 (date)  
 the entire period of the Team's work with the property transferred to it by the Owner. The Contract is made in two copies, with one each to be in the possession of the Owner and the Team Leader.

Signatures: For the Owner \_\_\_\_\_  
 (office, surname, name, patronymic)

Team Leader \_\_\_\_\_  
 (position, surname, name, patronymic)

Team member \_\_\_\_\_  
 (position, surname, name, patronymic)

Team member \_\_\_\_\_  
 (office, surname, name, patronymic)

(and other Team members)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Seal \_\_\_\_\_  
 (date)

The first part of the paper is devoted to a discussion of the general theory of the subject. It is shown that the theory is based on the principle of least action, and that the equations of motion can be derived from this principle. The second part of the paper is devoted to a discussion of the special case of the theory, and the third part to a discussion of the applications of the theory.

THE THEORY OF THE SUBJECT

The theory of the subject is based on the principle of least action. The action is defined as the integral of the Lagrangian over time. The Lagrangian is a function of the coordinates and velocities. The equations of motion are derived from the principle of least action by varying the action with respect to the coordinates and velocities. The theory is applied to the study of the motion of particles and the motion of rigid bodies.

The theory is applied to the study of the motion of particles and the motion of rigid bodies. It is shown that the theory is valid for a wide range of conditions, and that it can be used to predict the motion of particles and rigid bodies with great accuracy.

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# List of Primary Ukrainian Legislation

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# Ukrainian Legislation List of Primary

Ukrainian Legislation List of Primary

## THE LIST OF LEGAL ACTS AND AUTHORIZING INSTRUMENTS APPLICABLE TO THE RESTRUCTURING OF COLLECTIVE AGRICULTURAL ENTERPRISES

| No                                       | Name  | Date     | No         |
|--|---|----------|------------|
| <b>Laws of Ukraine</b>                   |   |          |            |
| 1  | Constitution of Ukraine   | 28.06.96 | 254k/96-BP |
| 2  | The Civil Code of Ukraine   | 18.07.63 | 1540-06    |
| 3  | The Code of Labor Laws of Ukraine   | 10.12.71 | 322-VIII   |
| 4  | On Entrepreneurship   | 26.02.91 | 698-12     |
| 5  | On Enterprise in Ukraine (the Company Act)  | 27.03.91 | 887-12     |
| 6  | On Securities and the Stock Exchange  | 18.06.91 | 1202-12    |
| 7  | On Business Associations  | 19.09.91 | 1576-12    |
| 8  | On Forms of Land Ownership  | 30.01.92 | 2073-12    |
| 9  | On Collective Agricultural Enterprises  | 14.02.92 | 2114-12    |
| 10                                       | The Land Code of Ukraine  | 13.03.92 | 561-12     |
| 11                                       | On Mortgages  | 2.10.92  | 2654-12    |
| 12                                       | On the Family Farm  | 22.06.93 | 3312-12    |
| 13                                       | On Characteristics of Privatization of Property in the Agro-Industrial Complex  | 10.07.96 | 290/96-BP  |
| 14                                       | On Payment for Land   | 19.09.96 | 378/96-BP  |
| 15                                       | On the Lease of Land  | 06.10.98 | 161-14     |
| <b>Resolutions of the Verkhovna Rada</b> |   |          |            |
| 1  | On land reform  | 18.12.90 | 563-12     |
| 2  | On the acceleration of land reform and land privatization   | 13.03.92 | 2200-12    |
| 3  | On template forms of State deeds for land ownership and permanent land use  | 13.03.92 | 2201-12    |
| <b>Presidential Decrees</b>              |   |          |            |
| 1  | On privatization of incomplete construction   | 14.10.93 | 456/93     |
| 2  | On privatization of gas stations that sell fuel and lubricants to the population only   | 29.12.93 | 612/93     |
| 3  | On urgent measures aimed at accelerating land reform in the sphere of agricultural production   | 10.11.94 | 666/94     |
| 4  | On the procedure for dividing lands transferred to common ownership by agricultural enterprises and organizations                                 | 8.08.95  | 720/95     |
| 5  | On guaranteeing the protection of the economic interests, and strengthening the social protection, of pensioner peasants eligible for land shares | 15.12.98 | 1353/98    |
| 6  | On the sale of land parcels of non-agricultural designation   | 19.01.99 | 32/99      |
| 7  | On urgent measures aimed at accelerating reform in agrarian sector of economy   | 03.12.99 | 1529/99    |

| <b>Resolutions of the Cabinet of Ministers of Ukraine</b> |  |             |            |
|---|--|-------------|------------|
| <b>#</b>  | <b>Name</b>  | <b>Date</b> | <b>#</b>   |
| 1.  | On approval of template forms for Land Share Certificate and Land Share Certificate registration   | 12.10.95    | 801        |
| 2.  | On agricultural land valuation methodology   | 23.03.95    | 213<br>864 |
| 3.  | On accelerating privatization of property in the agro-industrial complex and simplifying the procedure   | 19.07.96    | 755        |
| 4.  | On the gradual transfer of social sphere assets and living accommodations that appear on the balance sheets of farms, agricultural processing and service companies, organizations and bodies founded on the basis of common and other non-State types of ownership to municipal ownership | 5.09.96     | 1060       |
| 5.  | On the threshold and appraisal of reimbursable losses of agricultural and forestry enterprises   | 17.11.97    | 1279       |
| 6.  | On the procedure for the State registration of business entities   | 25.05.98    | 740        |
| 7.  | On approval of the procedure for State registration of Land Lease Contracts  | 25.12.98    | 2073       |
| 8.  | On procedures for recalculation of inkind and services rent payment for land parcel lease into monetary equivalent   | 23.04.99    | 672        |

| <b>Rules and regulations issues by ministries and State agencies</b> |  |  |             |                   |
|--|--|--|-------------|-------------------|
| <b>#</b>   | <b>Agency</b>  | <b>Name</b>  | <b>Date</b> | <b>#</b>          |
| 1.   | The State Land Recourse Committee  | Provisional procedure on issuing State Deeds for Common Ownership of Land to Collective Agricultural Enterprises, Agricultural Co-operatives, Agricultural Joint Stock Companies, including those created on the basis of soviet farms, and other State-owned agricultural enterprises   | 15.03.95    | 18                |
| 2.   | Ukrainian State Committee for Land Resources   | Instruction on Procedures for Composition, Issuance, Registration and Storage of State Deeds for Private Land Ownership Rights, State Deeds for Collective Land Ownership Rights and State Deeds for Land Ownership Rights and Rights to Permanent Use of Land, Contracts for Rights to Temporary Use of Land (Including Lease) and Contracts for Land Lease | 04.05.99    | 43                |
| 3.   | The State Land Recourse Committee, the Ministry of Agriculture and the Ukrainian Academy of Agrarian Sciences  | Methodological recommendation on the sharing of lands transferred to common ownership by agricultural enterprises and organizations  | 20.02.96    | 11                |
| 4.   | The State Land Recourse Committee, the Ministry of Agriculture and the Ukrainian Academy of Agrarian Sciences  | Methodological recommendations on physical transfer of land parcels that are part of commonly-owned lands to members of Collective Agricultural Enterprises  | 04.06.96    | 47/172/48         |
| 5.   | The Ministry of Justice, the State Land Recourse Committee   | On approval of the procedure for attesting agreements on transfer of land titles   | 6.06.96     | 14/5/48           |
| 6.   | The State Property Fund of Ukraine   | On approval of the Rules for privatization of property in the agro-industrial complex  | 9.08.96     | 903               |
| 7.   | The State Land Recourse Committee  | Provisionary methodological recommendations on reforming lands and land use of non-State-owned agricultural enterprises in the course of farm restructuring  | 30.10.97    |                   |
| 8.   | Ministry of Finance of Ukraine, Ministry of Economy of Ukraine, Ukrainian State Committee for Land Resources and and Ukrainian State Committee of Statistics | Letter on Indexation of Monetary Appraisal of Lands  | 05.10.98    | 03-303/1502/52-31 |

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# Glossary

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## **Glossary of Legal Terms**

### **Agricultural Production Cooperative**

A legal entity created for common agricultural production, fishery, and forestry purposes.

### **Agricultural Service Cooperative**

An enterprise created primarily for servicing its members based on mutual assistance and economic cooperation. Members of an Agricultural Service Cooperative are not required to work for the Cooperative, and obtaining a profit is not an objective.

### **Audit Committee**

The Audit Committee is responsible for conducting the internal audits of a business entity.

### **Bankruptcy**

Bankruptcy results from the insolvency of a legal entity (entrepreneurial entity) resulting from the lack of liquid assets, and is designed to satisfy the financial demands of commercial and State creditors.

### **CAE Restructuring**

CAE (Collective Agricultural Enterprise) restructuring includes organizational, economic, legal, and technical measures taken to alter the CAE's production and managerial structure, its legal form, and its ownership that should result in the CAE's financial recovery, and the improvement of its competitive position and efficiency.

### **Closed Joint Stock Company**

A legal entity whose Statutory Fund is divided into a definite number of shares of equal par value, and whose debt liabilities are equal to its assets only. Shares issued by a Closed Joint Stock Company are only distributed among its Founders and are not subject to subscription, and purchase or sale on a stock exchange.

### **Collective Agreement**

An agreement concluded at enterprises, institutions and organizations regardless of the form of ownership or type of entrepreneurial activity, that hire workers or specialists and have the rights of a legal entity. The Collective Agreement regulates production, labor, social and economic relations, and aligns the interests of the entity's owners, or the bodies authorized by them, and its employees.

### **Collective Agricultural Enterprise**

A Collective Agricultural Enterprise (CAE) is generally created from a Kolkhoz (Collective Farm). The CAE is a voluntary association of individuals creating an independent legal business entity to undertake common agricultural production and operating on the basis of self-management.

### **Commission for Land/Property Sharing and CAE Restructuring**

Members of this Commission are elected by the CAE General Assembly (Assembly of Authorized Representatives) according to the procedures prescribed by the CAE's Charter. The Commission is charged with the following tasks: develop a package of constituent documents for the new legal form; verify the Property Share Entitlement List; verify the size and value of

each CAE member's land share; develop suggestions to settle CAE's debts, as well as other issues addressed in the *Regulations On the Commission for Land/Property Sharing and CAE Restructuring*.

**Common Ownership by the Part**

Common ownership by the part is common ownership by two or more individuals of clearly defined parts. Property shares under common ownership by the part are considered to be equal unless otherwise agreed by all common owners (co-owners). An agreement between all co-owners governs the ownership, use, and disposal of property under this type of common ownership. Each co-owner of property within this form of common ownership has the right to exercise his discretion regarding the disposal of his property. All disputes arising with respect to the common ownership agreement are to be settled by a court.

**Common Ownership by the Whole**

The property of co-owners in common ownership by the whole is not clearly defined into individual parts for each co-owner as it is in common ownership by the part. Property co-owners in this form of common ownership, however, do have equal rights as to the ownership, use, and disposal of this property. Property is divided into parts for ownership purposes only when this form of common ownership is liquidated and replaced by common ownership by the part or individual private ownership.

**Contract for Donation**

A Contract for Donation provides for the transfer of property by one party to the ownership of the other without compensation.

**Contract for Purchase/Sale**

A Contract for Purchase/Sale provides for the parties' obligations for the transfer of property by the seller to the ownership of the purchaser who accepts the property in return for the sum required.

**Founders' Meeting**

The Founders' Meeting is a principal step in the creation of a business entity. The Founders' Meeting decides on the company's creation, approves its Charter, elects its managerial bodies, approves the monetary valuation of property and non-property contributions, and decides other issues related to the new entity's creation.

**General Assembly (of Authorized Representatives) of the CAE**

The Assembly of Authorized Representatives (the General Assembly) is the CAE's highest management authority. The scope of the General Assembly's authority is stated in the CAE's Charter. The General Assembly adopts the CAE's Charter, makes amendments and additions to it, elects the Board of Directors and its Chairperson, the Audit Committee, decides on restructuring, liquidation, and other important issues.

**Incomplete Construction Projects**

These include objects of construction that are not completed because of a lack of capital investments.

**Labor Agreement**

A Labor Agreement is a contract concluded between an enterprise's employee and its owner,

or an institution, organization, body or individual authorized by the owner, placing a number of obligations on both parties to the contract. For the employee, the most important of these are to perform the duties stated in the Agreement and comply with internal labor procedures. The owner, on the other hand, is obligated to pay the employee his salary and provide him with the appropriate labor conditions as required by labor legislation, the Collective Agreement, and the agreement between the parties.

**Labor Contract**

The Labor Contract is a special type of Labor Agreement whose use is determined according to the requirements of Ukrainian legislation. In the Labor Contract, the parties agree on the Contract's term, the parties' rights and obligations, liability, including material liability, the terms for material supply and work conditions, and the Contract's termination, including termination prior to the stated time.

**Land Lease**

A Land Lease is the mechanism which facilitates the use and disposal of a land parcel for a definite period of time on a contractual basis.

**Land Lease Payments**

These are payments made by the lessee for use of the land parcel. Lease payments may be made in cash, kind or services, according to the agreement between the parties to the Land Lease.

**Land Share**

This is a share in a tract of land owned by a CAE, Agricultural Cooperative, Agricultural Joint Stock Company. All members of such an enterprise have the right to a land share, including pensioners who worked at the enterprise at one time and remain its members. All members of the enterprise receive land shares of the same value and size. A Certificate, attesting to the right to a land share (the Land Share Certificate) can be exchanged for a State Deed for Private Ownership to Land Parcel with the simultaneous withdrawal of a land share in kind.

**Land Share Certificate**

This document attests to the right to the acquisition of a land share in kind, the area of which is indicated in conditional cadaster hectares and whose monetary value is equal in size and monetary value to land parcels acquired by other members. In addition to the right to exchange a Land Share Certificate for a land parcel, a Certificate owner has the right to sell, donate, will, pledge (mortgage) or exchange the Certificate.

**Leasing**

Leasing is the process by which property is transferred by the lessor to the exclusive use of the lessee for a definite period of time in exchange for lease payments on a contractual basis (the Land Lease). Legislation provides for two forms of leasing - financial and operational.

**Lessees**

These can be either individuals or legal entities (businesses) that have the right to possession and use of a land parcel on a contractual basis (the Land Lease). Land parcels designated for agricultural use may be leased for commercial agricultural production by legal entities whose

foundation documents provide for this kind of activity, or individuals with the requisite qualifications or work experience in agriculture. According to legislation, potential lessees of other land parcels can be Rayon and Oblast administrations, the Kyiv and Sevastopol City State Administrations, the Council of Ministers of the Crimean Autonomous Republic, and the Cabinet of Ministers of Ukraine. This list also includes self-governing institutions such as Villages, Town and City Radas, Ukrainian individuals and legal entities, religious or public organizations, international associations and organizations, foreign countries, foreign citizens or legal entities.

### **Lessors**

Ukrainian individuals and legal entities who own land parcels can be lessors. Self-governing institutions such as Village, Town and City Radas can be lessors of land parcels that are in communal ownership. Rayon and Oblast administrations, Kyiv and Sevastopol City State Administrations, the Council of Ministers of the Crimean Autonomous Republic and the Cabinet of Ministers of Ukraine, within their authority, can be lessors of State-owned land parcels. These State institutions have the authority to make decisions on leasing the land parcels only if approved by sessions of the appropriate Radas.

### **Limited Liability Company**

A Limited Liability Company (LLC) is a legal entity whose Statutory Fund is divided into shares whose amount is determined by the LLC's foundation documents. The LLC is created on the basis of a contractual agreement between legal entities and individuals through the consolidation of their property and business operations in order to earn profits.

### **Liquidation**

Liquidation is the process by which the operations of a legal entity are ceased legally. Liquidation may be initiated by the decision of an enterprise's owner or his authorized representative, or a law or arbitration court in cases provided by legislation.

### **Liquidation Commission**

The Liquidation Commission, comprised of liquidators, is appointed by the legal entity's highest management authority or by the arbitration court, depending on which of these bodies decides on the entity's liquidation. The Commission is charged with the management of the liquidated enterprise's property, the inventory and assessment of that property, determination of the enterprise's debtors, providing for the recovery of debts, allocating and disposing of the enterprise's property to repay those debts, and any other responsibilities provided for by legislation.

### **Mortgage**

A contractual instrument by which a creditor (the mortgagee) secures liabilities (debts) owed him by the debtor (the mortgagor) through property. The mortgagee has the priority right, as against other creditors, to satisfy his demands with the mortgaged property if the mortgagor fails to satisfy his liabilities.

### **Object of Land Lease**

A land parcel, owned by a Ukrainian citizen or legal entity, territorial community of a Village, Town, City (communal ownership), or the State, is considered to be the object of a land lease.

**Open Joint Stock Company**

A legal entity whose Statutory Fund is divided into a definite number of shares with equal par value and is liable only for debts equal to its assets. Shares issued by an Open Joint Stock Company may be distributed through open subscription, sale, and purchase on a stock exchange.

**Owners' Assembly**

The Owners' Assembly is the highest management authority for some types of legal entities. It is authorized to deal with business operations, planning, and coordination.

**Plan for Sharing Lands in Collective Ownership**

This Plan is drafted by the State or any other land surveying entity. The Plan contains the following information: land parcels, their location, the dimensions for every side of each land parcel and separate access roads, and other information necessary to withdraw land shares in kind.

**Private Enterprise**

A Private Enterprise is a legal entity formed on the basis of private ownership by an individual and registered in compliance with legislation to conduct business operations with the objective of meeting economic demand and receiving profits.

**Private Family Farms**

A form of business activity undertaken by Ukrainian citizens, generally family members, who are engaged in agricultural production, processing, and marketing.

**Private Lease Enterprise**

A legal business entity created from a restructured CAE in the form of a Private Enterprise, Private Family Farm, and Limited Liability Company. A Private Lease Enterprise is characterized mainly by the activity of leasing land and property from former CAE members.

**Property Share**

Property shares comprise a CAE's Property Share Fund and are owned by CAE members. CAE members acquire the right to dispose of their property shares upon their withdrawal from the CAE. The size of a property share is based on length of employment on the CAE and level of earnings while employed. Upon leaving the CAE, its members may withdraw their property shares in kind, cash, securities, or dispose of them at their own discretion.

**Property Share Book**

A Property Share Book is a document which contains a record of the value of and changes in an individual CAE member's property share.

**Property Share Fund**

The Property Share Fund is comprised of the aggregate CAE members' property shares expressed in terms of the net value of fixed production assets, current assets, securities, cash, and property. All property included in the Property Share Fund is in the common ownership of all CAE members.

**Property Sharing**

Property sharing is the process of calculating the Property Share Fund and individual prop-

erty shares in order to determine each CAE member's share in the property in common ownership, providing CAE members with the right to receive a property share upon withdrawal from the CAE as well as a legal and organizational basis for CAE restructuring.

**Purchase/Sale on Commodity Credit Basis**

A purchase/sale contract providing for the transfer of commodities into individual and legal entity ownership, to be paid for with interest at a later fixed date. Commodity credit provides for the transfer of ownership rights to the commodities to the purchaser at the moment of the contract's signing, or at the moment the commodities are physically acquired by the purchaser regardless of the date of credit repayment.

**Reorganization**

The formation of one or more legal entities from an existing legal entity or entities. The reorganization process entails that all rights and liabilities of the legal entity are transferred to its legal successor or successors. Legislation provides for five types of reorganization: break-up, merger, takeover, withdrawal, and transformation.

**Reserve Fund**

The Reserve Fund is the insurance fund of a company whose amount is established in the company's foundation documents. The Reserve Fund's size must be not less than 25% of a business entity's Statutory Fund. The size of annual contributions to the Reserve Fund is stipulated in the foundation documents which cannot be less than 5% of an enterprise's annual net profit.

**Social Sphere Facilities**

Social and cultural facilities, including educational, healthcare, cultural and sports institutions, and also includes the water supply, sewage system and construction projects, gas and power supply systems, trading outlets, servicing centers, telephone, public communications, and other objects of the social sphere's infrastructure.

**State Deed for Collective Land Ownership**

A document attesting to the right of collective ownership of land issued to CAEs, Agricultural Cooperatives or Agricultural Joint Stock Companies. A list of individuals who are the enterprise's members should be attached to such a Deed.

**State Deed for Private Ownership to Land Parcel**

A document attesting to the right of private ownership of a land parcel.

**State Registration of Land Lease**

A procedure pertaining to the registration of land leases with the State approved by Cabinet of Ministers Resolution # 2073 of 25 December, 1998 to which all contracts for the lease of land parcels are subject. State registration is performed by Village, Town or City Rada Executive Committees, and the Kyiv and Sevastopol City State Administrations where the land parcel is located.

**Statutory Fund**

This Fund comprises the total amount of the monetary value of participant's contributions made during the creation of an enterprise in order to ensure its operations. The size of the

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Fund is provided for by the enterprise's foundation documents and legislation.

**Sublease of Land Parcel**

A sublease is the transfer of a leased land parcel or its part by the lessee into another entity's possession and use on a contractual basis.

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