

# **EXHIBIT 26**

LAW OF UKRAINE

ON ENTERPRISES IN UKRAINE

of 27 March 1991, No. 887-XII, *Vidomosti Verkhovnoi Rady (VVR) (Bulletin of Supreme Rada)*, 1991, No. 24, art. 272)

With alterations and additions introduced by

Laws of Ukraine:

of 4 January	1992,	No. 2032-XII,	<i>VVR</i> , 1992, No. 17, art. 209,
7 July	1992,	No. 2544-XII,	<i>VVR</i> , 1992, No. 38, art. 562,
7 July	1992,	No. 2554-XII,	<i>VVR</i> , 1992, No. 39, art. 574,
14 October	1992,	No. 2685-XII,	<i>VVR</i> , 1992, No. 48, art. 655,
26 January	1993	No. 2932-XII,	<i>VVR</i> , 1993, No. 11, art. 83,
4 May	1993,	No. 3170-XII,	<i>VVR</i> , 1993, No. 24, art. 252,
5 May	1993,	No. 3180-XII,	<i>VVR</i> , 1993, No. 26, art. 277,
17 June	1993,	No. 3292-XII,	<i>VVR</i> , 1993, No. 29, art. 308,
<hr/>			
22 December	1994,	No. 518/94-VR,	<i>VVR</i> , 1995, No. 5, art. 22,
28 February	1995,	No. 75/95-VR,	<i>VVR</i> , 1995, No. 13, art. 85,
2 March	1995,	No. 82/95-VR,	<i>VVR</i> , 1995, No. 14, art. 90,
14 March	1995,	No. 90/95-VR,	<i>VVR</i> , 1995, No. 14, art. 93,
5 July	1995,	No. 262/95-VR,	<i>VVR</i> , 1995, No. 28, art. 203,
10 September	1996,	No. 357/96-VR,	<i>Uriadovyi Kurier (Governmental Courier)</i> of 26 September 1996,

Decisions of the Supreme Rada of Ukraine:

of 4 July	1991,	No. 1292-XII,	<i>VVR</i> , 1991, No. 36, art. 474,
of 29 July	1994,	No. 158/94-VR,	<i>VVR</i> , 1994, No. 38, art. 353,

Decrees of the Cabinet of Ministers of Ukraine:

of 15 December	1992,	No. 8-92,	<i>VVR</i> , 1993, No. 7, art. 52,
15 December	1992,	No. 10-92,	<i>VVR</i> , 1993, No. 7, art. 54,
31 December	1992,	No. 23-92,	<i>VVR</i> , 1993, No. 11, art. 93,
31 December	1992,	No. 24-92,	<i>VVR</i> , 1993, No. 11, art. 94,
21 January	1993,	No. 9-93,	<i>VVR</i> , 1993, No. 13, art. 115,
21 January	1993,	No. 10-93,	<i>VVR</i> , 1993, No. 13, art. 116,
22 January	1993,	No. 14-93,	<i>VVR</i> , 1993, No. 13, art. 119,
19 February	1993,	No. 15-93,	<i>VVR</i> , 1993, No. 17, art. 184,
17 March	1993,	No. 20-93,	<i>VVR</i> , 1993, No. 19, art. 204,
26 April	1993,	No. 39-93,	<i>VVR</i> , 1993, No. 24, art. 273,
29 April	1993,	No. 41-93,	<i>VVR</i> , 1993, No. 26, art. 279,
29 April	1993,	No. 42-93,	<i>VVR</i> , 1993, No. 26, art. 280,
10 May	1993,	No. 48-93,	<i>VVR</i> , 1993, No. 27, art. 290,

(in the name and text of the Law words "Ukrainian SSR" "Council of Ministers"

of Ministers, and arbitration court pursuant to Law No. 2085-XII of 14 October 1992).

- state enterprise, based on the state (republican) ownership;
- joint enterprise, based on unification of property of different owners (mixed form of ownership). Founders of a joint enterprise pursuant to the legislation of Ukraine may include legal persons and citizens of Ukraine, union republics, and other states;
- enterprise based on the ownership of legal persons and citizens of union republics and other states. Establishment of such enterprises is regulated by a separate legislation of Ukraine.

2. In accordance with the volume of economic turnover of an enterprise and the number of its employees (regardless of the form of ownership), it may be assigned to the category of small enterprises.

Included into the category of small enterprises are the following newly established and operating enterprises:

- in the industry and construction - with a number of employees of up to 200;
- in other sectors of the production sphere - with a number of employees of up to 50;
- in science and scientific servicing - with a number of employees of up to 100;
- in sectors of the nonproductive sphere - with a number of employees of up to 25;
- in the retail trade - with a number of employees of up to 15.

Specific features of the establishment and activity of small enterprises are defined by the legislation of Ukraine.

Enterprises of other types and categories, including lease-based ones, whose establishment does not contradict legislative acts of Ukraine, may function in the republic.

### Article 3. Associations of Enterprises

1. Enterprises have the right to unite on voluntary principles their production, scientific, commercial, and other activities, unless this contradicts the antimonopoly legislation of Ukraine.

Enterprises may unite into:

associations - agreement-based unions, formed for a permanent coordination of the economic activity. An association has no right to interfere in production and commercial activities of any of its partners;

corporations - agreement-based unions, formed on the basis of integration of production, scientific, and commercial interests, with delegation of some authorities of a centralized regulation of the activity of every of its partners;

consortiums - temporary statute-based unions of industrial and banking capital for achievement of a common goal;

concerns - statute-based unions of industrial enterprises, scientific organizations, transport, banks, trade, etc., on the basis of a full financial dependence on one or a group of businessmen;

other associations on sectoral, territorial, and other principles.

Associations function on the grounds of an agreement or a statute, approved by their founders or owners. Enterprises included into said organizational entities retain the rights of a legal persons and are covered by this Law.

(the effect of the item has been terminated as regards the right of the communication enterprises, indicated in the first part of Article 1 of Decree No. 9-93 of 21 January 1993, to unite their activities on voluntary principles, to withdraw from associations, and to adopt decisions on their liquidation, pursuant to Decree No. 9-93 of 21 January 1993)

5. Enterprises affiliated to an association may withdraw from it with retention of the mutual obligations and agreements concluded with other enterprises and organizations.

Structural divisions and independent enterprises may withdraw from associations by consent of the owner of the property or of the body authorized by the latter and with participation of the work collective with granting them the right of an enterprise.

Refusal of the owner may be appealed against by the work collective to a court of law.

(the effect of the item has been terminated as regards the right of the communication enterprises, indicated in the first part of Article 1 of Decree No. 9-93 of 21 January 1993, to unite their activities on voluntary principles, to withdraw from associations, and to adopt decisions on their liquidation, pursuant to Decree No. 9-93 of 21 January 1993)

(the effect of the item has been terminated as regards the right of the coal industry enterprises, indicated in the first part of Article 1 of Decree No. 10-93 of 21 January 1993, to unite their activities on voluntary principles, to withdraw from associations, and to adopt decisions on their liquidation, pursuant to Decree No. 10-93 of 21 January 1993)

(the effect of the item has been terminated as regards the right of the state enterprises, indicated in the first part of Article 1 of Decree No. 20-93 of 17 March 1993, to unite their activities on voluntary principles, to withdraw from associations, and to adopt decisions on their liquidation, pursuant to Decree No. 20-93 of 17 March 1993)

(the effect of the item has been terminated as regards the right of the state electric-power enterprises, indicated in the first part of Article 1 of Decree No. 41-93 of 29 April 1993, to unite their activities on voluntary principles, to withdraw from associations, and to adopt decisions on their liquidation, pursuant to Decree No. 41-93 of 29 April 1993)

(the effect of the item has been terminated as regards the right of the state enterprises, indicated in the first part of Article 1 of Decree No. 42-93 of 29 April 1993, to unite their activities on voluntary principles, to withdraw from associations, and to adopt decisions on their liquidation, pursuant to Decree No. 42-93 of 29 April 1993)

(the effect of the item has been terminated as regards the right of the enterprises of the National Agrarian University, indicated in item 1 of Decision No. 158/94-VR of 29 July 1994, to unite their activities on voluntary principles, to withdraw from the University, and to adopt decisions on their liquidation, pursuant to Decision No. 158/94-VR of 29 July 1994)

6. An association is liquidated by a decision of the enterprises which are included into it. Liquidation of an enterprise is carried out by the procedure established by this Law for an enterprise. The property remaining after liquidation of an association is distributed among partners pursuant to the statute of the association.

## Section II

ESTABLISHMENT OF ENTERPRISE AND PROCEDURE  
OF ITS REGISTRATION

## Article 5. General Conditions of Establishment of Enterprise

1. An enterprise is established by a decision of the owner (owners) of the property or of the body authorized by him/it (them), of an enterprise-founder, organization, or by a decision of the work collective in the cases and by the procedure provided by this Law and other Laws of Ukraine. In cases stipulated by the current legislation, the decision to establish an enterprise is to be adopted on agreement with the Antimonopoly Committee of Ukraine.

(the effect of paragraph 1 of item 1 of Article 5 has been terminated as regards the right of state enterprises to act as founders of enterprises, pursuant to Decree No. 24-92 of 31 December 1992)

and (paragraph 1 of item 1 of Article 5 has been supplemented with a sentence pursuant to Law No. 82/95-VR of 2 March 1995)

An enterprise may be established as a result of a forced division of another enterprise pursuant to the antimonopoly legislation of Ukraine.

2. An enterprise may be established as a result of separation of one or more structural divisions from a functioning enterprise or organization as well as on the basis of a structural unit of functioning associations by a decision of their work collectives if the owner or the body authorized by it/him has agreed to this.

At the establishment of enterprises through separation, newly formed enterprises retain mutual obligations and agreements concluded with other enterprises.

3. In cases where natural resources are needed for the establishment and activity of an enterprise, the permit for their use is issued by the corresponding Rada of people's deputies, and in cases stipulated by the legislation, by the Supreme Rada of Ukraine on application of the primary user of the natural resources, at a favorable conclusion of the state ecological expert examination board or of the corresponding Rada of people's deputies. A refusal to grant the natural resources may be appealed against by the procedure provided by the legislation of Ukraine.

(this item of the Article has been altered pursuant to Law No. 3180-XII of 5 May 1993)

An enterprise may be granted for a collective ownership or for use, including that on terms of lease, a land plot by the procedure established by the Land Code of Ukraine.

(the Article has been supplemented with this paragraph pursuant to Law No. 3180-XII of 5 May 1993)

4. An enterprise acquires the rights of a legal person on the date of its state registration.

cedure of formation of property of the enterprise, conditions of reorganization and of termination of activity of the enterprise.

The name of the enterprise is to indicate its category (works, factory, workshop, etc.) and type (individual, family, private, collective, state), and may contain other characteristics.

The statute may include provisions associated with special features of activity of the enterprise: on labor relations that arise on the grounds of membership; on the authorities, procedure of formation, and structure of the council of the enterprise; on trademarks for goods and services, etc.

(paragraph 3 of item 2 of Article 9 has been altered  
pursuant to Law No. 75/95-VR of 28 February 1995)

The statute of an enterprise is to indicate the body entitled to represent interests of the work collective (council of the work collective, council of the enterprise, trade union committee, etc.).

### Section III

## PROPERTY OF ENTERPRISE

### Article 10. Formation and Use of Property

1. The property of an enterprise consists of fixed assets and circulating funds as well as of other values, whose cost is represented in the independent balance-sheet of the enterprise.

2. The property of an enterprise, pursuant to laws of Ukraine, statute of the enterprise, and concluded agreements, belongs to it by the right of ownership or of full economic disposal.

3. The property which is owned by the state and is assigned to a state enterprise belongs to it by the right of full economic disposal.

Exercising the right of full economic disposal, the state enterprise possesses, uses, and manages said property at its discretion, committing with respect to it any acts that do not contradict the current legislation and statute of the enterprise.

(this paragraph of the Article has been altered  
pursuant to Law No. 2554-XII of 7 July 1992)

The state-owned means of production assigned to a state enterprise may be alienated from the state solely on competitive principles (via exchanges, competitions, auctions) by the procedure defined by the State Property Foundation of Ukraine. Funds received from alienation of said property are to be allocated solely to investments.

(the Article has been supplemented with this paragraph  
pursuant to Law No. 2554-XII of 7 July 1992)

### 4. Sources of formation of the property of an enterprise are as follows:

incomes from securities;  
credits of banks and other creditors;  
capital investments and subsidies from budgets;  
receipts from denationalization and privatization of property;  
acquisition of property of another enterprise or organization;

When these standards and conditions are violated its activity may be suspended partially, temporarily or terminated completely pursuant to the Ukrainian legislation.

#### Article 12. Participation of Enterprise in Issue of and Trade in Securities

1. An enterprise has the right to issue own securities and to sell them to legal persons and citizens of Ukraine, union republics, and other states.
2. An enterprise may be a co-founder of stock exchanges of Ukraine and a partner of stock exchanges of Ukraine and union republics.
3. An enterprise has the right to acquire securities of legal persons of Ukraine, union republics, and other states.
4. An enterprise is to issue, sell, and purchase securities pursuant to the legislation of Ukraine.

#### Article 13. Guarantees of Property Rights of Enterprise

The state guarantees protection of property rights of an enterprise. The fixed assets, circulating funds, and other property used by an enterprise may be withdrawn from it by the state only in cases stipulated by laws of Ukraine.

Damages inflicted on an enterprise as a result of infringement of its property rights by citizens, legal persons, and state bodies are reimbursed to the enterprise by a decision of a court of law or arbitration court.

### Section IV

#### MANAGEMENT OF ENTERPRISE AND SELF-MANAGEMENT OF WORK COLLECTIVE

#### Article 14. General Principles of Management of Enterprise

1. An enterprise is to be managed pursuant to its statute on the basis of integration of the owner's right to the economic use of its/his property and principles of self-management of the work collective.

An enterprise on its own defines the structure of management and the list of staff.

The owner exercises its/his rights to manage the enterprise either directly or through bodies authorized by it/him. The owner or the bodies authorized by it/him may delegate the rights to the council (board) of the enterprise or to another body which is specified in the statute of the enterprise and represents interests of the owner and work collective.

2. The hiring (appointment, election) of the manager of an enterprise is the right of the owner (owners) of the property of the enterprise and is effected either directly or through bodies authorized by the owner (owners).

3. Decisions on socio-economic matters which pertain to activity of an enterprise are to be adopted by its management bodies with participation of the work collective or of bodies authorized by the work collective.

4. The supreme management body of a collective enterprise is the general meeting (conference) of owners of the property. Executive functions of the management of a collective enterprise are performed by the board.

Unless otherwise specified by the statute, the board of an enterprise is elected by owners of the property at a general meeting by a secret ballot on an alternative basis.

management of the enterprise without consent of the corresponding elective body of this collective.

#### Article 16. Management of Enterprise

1. The manager of an enterprise is hired (appointed) by the owner or elected by owners of the property.

When the manager of the enterprise is hired (appointed, elected) to this position by the owner or by the body authorized by the latter, a contract (agreement) is concluded with him, defining the rights, term of office, and duties of the manager of the enterprise, his responsibility towards the owner and work collective, conditions of his remuneration and dismissal from the position with account of the guarantees provided by the contract (agreement) and legislation of Ukraine.

2. The manager of an enterprise decides on his own the questions of activity of the enterprise, with the exception of those assigned by the statute to competence of other management bodies of this enterprise. The owner of the property has no right to interfere in the routine activity of the manager of the enterprise.

3. The manager of an enterprise may be dismissed from his position before the expiration of the term of the contract on the grounds stipulated in the contract or in the legislation of Ukraine.

4. Deputies of the manager of an enterprise, managers and specialists of divisions of the managerial staff and structural divisions (production facilities, shops, departments, divisions, sectors, farms, and other similar divisions of enterprises) as well as foremen and senior foremen are appointed to their positions and dismissed from the positions by the manager of the enterprise.

#### Article 17. Collective Agreement

1. The collective agreement is to be concluded at all enterprises using a hired labor between the owner or a body authorized by the latter and the work collective or a body authorized by it and may not contradict the current legislation of Ukraine.

2. The collective agreement regulates production, labor, and economic relations of the work collective with the management of the enterprise, matters of the labor safety, social development, and participation of employees in the use of the profit of the enterprise if the latter is provided by the statute of the enterprise.

3. The parties which have concluded the collective agreement are at least twice a year to report on its fulfillment at a meeting (conference) of the work collective.

### Section V

## BUSINESS, ECONOMIC, AND SOCIAL ACTIVITY OF ENTERPRISE

#### Article 18. Profit (Income) of Enterprise

1. The profit (income) is the basic summarizing indicator of financial results of the business activity of any enterprise.



3. The minimum wages of employees working under a labor contract is defined pursuant to Articles 9 and 10 of Law of Ukraine "On the Remuneration of Labor".

(Part 3 of Article 19 has been altered pursuant to  
Law No. 357/96-VR of 10 September 1996)

4. An enterprise establishes on its own the forms, systems, and amounts of the remuneration of labor as well as of other types of incomes of employees.

Enterprises may employ rate schedules and scales of salary ratios, which are defined by sectoral agreements as guides for differentiation of the payment for work according to the profession and qualifications of employees, complexity and conditions of the jobs performed by them.

(paragraph 2 of item 4 of Article 19 has been altered pursuant to  
Law No. 2032-XII of 4 January 1992)

(validity of paragraph 2 of item 4 of Article 19 has been terminated since  
1 January 1993 as regards state enterprises, pursuant to  
Decree No. 23-92 of 31 December 1992)

(validity of paragraph 2 of item 4 of Article 19 has been reinstated pursuant  
to Law No. 318/94-VR of 22 December 1994)

#### Article 20. Planning of Activity of Enterprise

1. An enterprise on its own plans its activity and defines prospects of development, proceeding from the demand for its products, work, services and from the necessity to assure the productive and social development of the enterprise, increase of incomes.

Plans are based on state orders and contracts concluded with consumers (buyers) of the products, work, services and with suppliers of material and technical resources.

2. An enterprise performs the work and deliveries for state needs on contractual basis by the procedure defined by the legislation of Ukraine.

3. When preparing plans of its economic development, an enterprise is to agree with the corresponding Rada of people's deputies the measures that may bring about ecological, social, demographic, and other results affecting interests of the population of the area and bears material responsibility to Radas of people's deputies for harmful consequences of its activity.

#### Article 21. Business Relations of Enterprise with Other Enterprises, Organizations and Citizens

1. Relations of an enterprise with other enterprises, organizations and citizens in all spheres of business activity are exercised on the grounds of agreements (contracts).

Enterprises are free to choose the subject of an agreement, to define obligations and any other terms of business interrelations, which do not contradict the legislation of Ukraine.

2. The liability of an employee for financial obligations of the enterprise is defined by the share of his participation in financial resources of the enterprise.

3. An enterprise bears no responsibility for delivery of products under a state order if the state agency that issued the order has not provided the enterprise with a full range of material and technical resources and equipment necessary to fulfill the state order according to rates and design norms.

ration of the enterprise or with any bank of Ukraine, other union republics and states by their consent.

(the effect of this item of the Article has been suspended for one year as regards the right of enterprises to open accounts for the keeping of funds with any bank of other union republics and states, pursuant to Decision No. 1292-XII of 4 July 1991)

4. All settlements of enterprises (including payments to the budget and payment of wages) are carried out in a calendar sequence of arrival of settlement documents (maturities of payments). Settlements of enterprises under their obligations are carried out by cashless and cash payments through banking institutions pursuant to the rules for carrying out settlement and cash operations, approved by the National Bank of Ukraine.

5. An enterprise may deliver products, execute work, and deliver services on credit with payment by the buyers (consumers) of the interest for the use of the credit. For executing such agreements, an enterprise may use bills in the economic circulation.

6. An enterprise is fully responsible for observance of the credit agreements and discipline of settlements. An enterprise that fails to fulfill its obligations on settlements may be declared bankrupt by an arbitration court by the procedure set forth by Law of Ukraine "On Bankruptcy".

(this item of the Article has been altered pursuant to Law No. 2685-XII of 14 October 1992)

#### Article 25. Foreign Economic Activity of Enterprise

1. An enterprise exercises the foreign economic activity on its own.

The foreign economic activity of an enterprise is a part of the foreign economic activity of Ukraine and is regulated by laws of Ukraine.

2. The procedure of use of the foreign currency receipts of an enterprise is defined by

3. An enterprise has the right to obtain credits from its foreign partners. In this case, the foreign currency is entered into the balance-sheet of the enterprise and used by it at its own discretion. The state is not liable for credits obtained by an enterprise.

An enterprise which exercises the foreign economic activity may open beyond boundaries of Ukraine its representative offices and production divisions, maintained for account of funds of the enterprise.

4. An enterprise is in its foreign economic activity controlled over in matters of the economic, technological, ecological, and social security by state bodies.

#### Article 26. Social Activity of Enterprise

1. Matters of the social development, including improvement of conditions of work, living and health, guarantees of the compulsory medical insurance of work collective members and their families, are decided by the work collective with participation of the owner or of a

## Section VI

## ENTERPRISE AND STATE

## Article 27. Guarantees of Rights and Interests of Enterprises

1. The state guarantees the observance of rights and legitimate interests of an enterprise.

When exercising the business and other activities, an enterprise may on its own initiative adopt any decisions not contradicting the legislation of Ukraine.

Interference in the business and other activities of an enterprise by state, public, and cooperative bodies, political parties and movements is prohibited, with the exception of the cases stipulated by the legislation of Ukraine.

2. When adopting decisions concerning an enterprise and in their relations with it, republican and local state and public bodies and their officials bear responsibility for observance of provisions of this Law. State bodies and officials may interfere in the activity of an enterprise only within their competence, established by the legislation. In the event of issuance by a state or another body of an act which fails to correspond to its competence or to requirements of the legislation, or of emergence of controversial issues in connection with this, an enterprise has the right to apply to a court of law or arbitration court for recognizing such an act null and void.

Losses (including the expected and missed profit) inflicted on an enterprise as a result of fulfillment of instructions of state or other bodies or of their officials, which have infringed the rights of an enterprise as well as a result of improper fulfillment by such bodies or their officials of obligations as to the enterprise, provided by the legislation, are to be compensated for at their expense. Disputes about the compensation for losses are settled by a court of law or arbitration court in accordance with its jurisdiction.

## Article 28. Legal and Economic Conditions of Business Activity of Enterprise

1. The state assures for an enterprise (regardless of forms of ownership) equal legal and economic conditions of the business activity.

2. The state encourages development of the market, regulating it with the aid of economic laws and incentives, implements antimonopoly measures, assures the social protection of all working people.

The state provides preferential conditions to enterprises which introduce advanced technologies, create new jobs, employ those citizens who need the social protection.

The state stimulates development of small enterprises in Ukraine: grants tax and state credit privileges, establishes funds for promoting development of small enterprises, etc.

State administration bodies base their relations with enterprises on the use of economic methods.

State administration bodies are prohibited from establishing any types of taxation, except those defined by the tax legislation of Ukraine.

## Article 29. Accounting and Reporting

1. An enterprise is to keep current records and business accounting of results of its work as well as statistical reporting.

2. An enterprise is bound:  
 to protect the environment from contamination and other harmful effects;  
 to indemnify the corresponding Rada of people's deputies for damages inflicted by an irrational use of land and other natural resources and by environmental pollution;  
 to assure safety of production, sanitary-hygienic standards and requirements for protection of health of its employees, population, and users of products;  
 in cases stipulated by the legislation. to pay penalties to corresponding local Radas of people's deputies.

#### Article 32. Control over Activity of Enterprise

1. The control over individual aspects of activity of an enterprise is exercised by the state tax inspectorate, state control-and-audit service, state bodies entrusted with supervision over the safety of production and work, fire and ecological safety, and other agencies pursuant to the legislation of Ukraine.

(this paragraph of the Article has been altered pursuant to  
 Law No. 3292-XII of 17 June 1993)

The bodies carrying out the control over individual aspects of activity of an enterprise exercise authorities within their competence defined by the legislation of Ukraine. An enterprise has the right not to fulfill demands of the bodies if the demands are beyond the scope of their authorities.

2. An enterprise has the right to obtain information on results of inspections and checks within 30 days after their beginning. Actions of officials who have carried out an inspection and check may be appealed against by the owner (manager for a state) enterprise by the procedure provided by the legislation of Ukraine.

3. Officials of organizations and bodies which carry out a check of an enterprise bear responsibility for disclosure of the commercial secret of the enterprise pursuant to Article 30 of this Law.

4. The control over individual aspects of activity of an association of enterprises is exercised by the procedure defined by this Article.

#### Article 33. Relations of Enterprise with Local Radas of People's Deputies

1. Interrelations of an enterprise with state administration and local self-administration bodies are to be based on this Law, Law of Ukraine "On Local Radas of People's Deputies of Ukraine and Local Self-Administration", and other legislative acts of Ukraine, which define the competence of the bodies.

2. An enterprise has the right on a strictly voluntary basis to participate in formation of extrabudgetary target-oriented financial funds of the republic and of local Radas of people's deputies.

3. An enterprise participates on a voluntary contractual basis in the work on a comprehensive economic and social development of the area, carried out by the local Rada of people's deputies.

An enterprise is bound by a decision of the local Rada of people's deputies create for account of the Rada's funds special jobs for persons with a limited ability to work and to arrange their professional training.

When one or more new enterprises are separated from an enterprise, its property rights and obligations pass to every of them in corresponding shares according to the dividing statement (balance-sheet).

7. At transformation of an enterprise into another enterprise, all the property rights and obligations of the former enterprise pass to the newly established enterprise.

#### Article 35. Liquidation Commission

1. Liquidation of an enterprise is carried out by a liquidation commission formed by the owner or by a body authorized by the latter. By their decision, liquidation may be carried out by the enterprise itself, namely by its management body.

The owner, court of law, arbitration court, or body authorized to establish enterprises, which/who has adopted the decision to liquidate the enterprise, determines the procedure and period of liquidation as well as the period for submission of claims by creditors, which may not be less than two months from the moment of the announcement of liquidation.

If an enterprise has been declared bankrupt, the procedure of setting-up and work of the liquidation commission as well as conditions of liquidation of the enterprise are defined by Law of Ukraine "On Bankruptcy".

(this item of the Article has been altered pursuant to  
Law No. 2685-XII of 14 October 1992)

2. The liquidation commission or another body which carries out liquidation of an enterprise places in an official press at the location of the enterprise a publication on its liquidation and on the procedure and period of submission of claims by creditors. Along with this publication, the liquidation commission (body which carries out liquidation) is bound to carry out work on collection of the debts receivable by the enterprise and revealing of claims of creditors with their notification of liquidation of the enterprise.

The liquidation commission (body which carries out liquidation) appraises the available property of the enterprise being liquidated and settles accounts with creditors, draws up the liquidation balance-sheet and submits it to the owner or the body which has appointed the liquidation commission. The authenticity and completeness of the liquidation balance-sheet is to be verified by an auditor (auditor firm), with the exception of organizations which are fully maintained for account of the budget and exercise no business activity.

(paragraph 2 of item 2 of Article 35 has been altered pursuant to  
Law No. 90/95-VR of 14 March 1995)

#### Article 36. Satisfaction of Claims of Creditors

1. Claims of creditors to an enterprise being liquidated are satisfied from the property of the enterprise. First of all, debts to budgets are repaid and expenses for restoration of the natural environment damaged by the enterprise are compensated for.

2. Claims revealed and submitted after the expiry of the period set for their submission are satisfied from the property of the enterprise, remaining after satisfaction of the top-priority claims, revealed claims, and claims submitted within the set period.

3. Claims not satisfied because of lack of property are considered as discharged. Considered as discharged are also claims not admitted by the liquidation commission (body which carries out liquidation) as well as on condition that creditors will within a month after

LAW OF UKRAINIAN SSR ON ENTERPRENEURIAL  
ACTIVITY  
07.02.91

This Law defines the general legal, economic and social principles for conducting entrepreneurial activity by citizens and legal persons on the territory of the Ukrainian SSR, and sets guarantees for free enterprise and government support.

SECTION 1. GENERAL PROVISIONS

Article 1. Entrepreneurial Activity in the UkrSSR

Entrepreneurial activity means independent initiative, systematic venture activity for products, services and trading for the purpose of profit.

Article 2. Subjects of Entrepreneurial Activity

Subjects of entrepreneurial activity (entrepreneurs) can be:

- citizens of the Ukrainian SSR and other states, whose competence or legal capacity are not restricted under the law;
- juridical persons of all property forms established by the law of the Ukrainian SSR on "Ownership";

With respect to juridical person for whom entrepreneurial activity is not basic, this Law shall apply to that part of their activity which is defined as entrepreneurial.

Entrepreneurial activity shall not be allowed for following categories of citizens:

those who serve in the military; employees of a public prosecutor's office; employees of a court; employees of state security bodies; employees of internal affairs bodies; employees of state arbitration; employees of state notary; and also employees of state administrative bodies entitled to control activity of enterprises.

Persons for whom certain activity is prohibited by a court shall not be registered as entrepreneurs having the right to carry out activity appropriate to the form of enterprise until the period established by a court is expired.

Persons with uncanceled convictions for theft, bribery or other mercenary acts shall not be registered as entrepreneurs, or be co-founders of entrepreneurial organizations, or hold leading posts in business associations and partnerships or hold positions of material responsibility.

Article 3. Freedom of Entrepreneurial Activity

Entrepreneurs shall have the right to make decisions and independently conduct any business activity not contrary to effective law.

Regulatory procedures for specific businesses shall be determined by legislation of the Ukrainian SSR.

The Supreme Soviet (Parliament) of the UkrSSR, by application of Council of Ministers of the UkrSSR, shall determine the list of enterprises subject to license and the list of business where entrepreneurial activity is not appropriate because of substantial requirement of work security and for centralized management functions.

ARTICLE 4. RESTRICTIONS TO ENTREPRENEURIAL ACTIVITY

The production of narcotics, weapons and explosives, securities and currency notes can be carried out only by enterprises of public sector. Pawn operations can be carried out by associations with extended responsibility.

Without special permission (license) granted by the Council of Ministers of the UkrSSR, the following kinds of business cannot be carried out:

- exploration and exploitation of mineral deposits;
- repairs of sports weapons, shot-guns and other weapons;

- production and realization of medicines and chemicals;
- production of beer and wine;
- manufacture of vodka, liqueur and cognac productions;
- manufacture of tobacco products;
- practice of medicine;
- practice of veterinary medicine;
- practice of law;
- establishment and maintenance of gambling houses, organization of gambling games;
- hot-drinks trading.

Permission (license) for conducting entrepreneurial activity shall be granted by the Council of Ministers of UkrSSR or its authorized body within thirty (30) days from the receipt date of application.

Refusal to grant a permission (license) shall be issued in writing within the same period.

Disputes concerning refusal to grant a permission (license) shall be examined by a court or arbitration.

The responsibilities of an enterprise shall include environmental protection measures, including land recultivation and reforestation after its exploitation, in order to reduce environmental damage caused by production activity. These measures shall be financed at the expense of the enterprise. The enterprise shall be responsible for rational use of natural resources, and shall indemnify the state for the expenses aimed at restoration and protection of natural resources.

#### Article 5. Principles of Entrepreneurial Activity

Entrepreneurial activity shall be conducted according to the following principles:

- free choice of business forms;
- voluntary inclusion of the resources and property of legal persons and citizens for realization of entrepreneurial activity;
- independent formulation of a program of activity and choice of suppliers and consumers of manufacturing production, fixing of prices in accordance with legislation;
- free hiring of employees;
- inclusion and use of material-technical, financial, labor, natural and other resources the usage of which are not limited by law;
- free use of profit after making payments required by law;
- independent realization by the entrepreneur-legal person involved in

#### Article 6. Organizational Forms of Entrepreneurial Activity

Entrepreneurial activity in the UkrSSR shall be carried out by means of any organizational form chosen by any entrepreneur.

Procedure of establishment, operation, reorganization and liquidation of any organizational form shall be determined by corresponding enactments of UkrSSR.

In case of this procedure has not been established, an entrepreneur shall apply this law or its own statute (by-laws).

#### Article 7. Legislation on Entrepreneurial Activity

Relations, connected to carrying out of entrepreneurial activity, shall be regulated by this law or other enactments of the UkrSSR.

### SECTION 2. CONDITIONS FOR REALIZATION OF ENTREPRENEURIAL ACTIVITY

#### Article 8. State Registration of Entrepreneurial Activity

State registration of entrepreneurial activity shall be conducted by the

executive committee of district, town (city) or urban Councils of People's Deputies according to place of activity or residence, unless otherwise provided by enactments of the UkrSSR.

For the purpose of state registration, the following documents shall be submitted to the appropriate Councils of People's Deputies:

- application of an entrepreneur;
- resolution of a founder and statute, if indispensable for establishing this organizational form of entrepreneurial activity;
- other documents where required by legislation for specific organizational forms of entrepreneurial activity.

A registration certificate shall be issued by a registration office within one (1) month. Simultaneously, this registration office shall send information concerning registered subject of entrepreneurial activity to the appropriate taxing body and state statistics agency.

The state statistics agency shall determine codes for a subject of entrepreneurial activity.

Denial of state registration of a subject of entrepreneurial activity may occur only on the basis of a violation of established procedure provided by the legislation of the UkrSSR. Denial of state registration may not be made on the basis of its unsuitability.

Denial of state registration may be appealed in court.

A fee shall be charged for state registration, the amount of which shall be determined by Council of Ministers of the UkrSSR according to the form of entrepreneurial activity and kind of business. Local Councils of People's Deputies shall have the right to determine privilege payments for state registration.

The amount received shall be transferred to the budget of the local registration unit according to the place of registration of the entrepreneur.

#### Article 9. Employment Rights for Workers and Their Social Securities

For the purpose of carrying out entrepreneurial activity, an entrepreneur shall have the right to conclude agreements with persons concerning use of their work. In the preparation of a labor contract (agreement), an entrepreneur shall be obliged to assure conditions and protection of labor, remuneration at a level not lower than the minimum in the republic, and other social guarantees including social and medical insurance in accordance with effective legislation.

In the case of disability, an entrepreneur shall provide the injured party with compensation for expenses in accidents, according to the procedure determined by relevant law.

#### Article 10. Responsibility of Entrepreneurs

Entrepreneurs shall be obliged not to cause damage to environment, not to violate rights and interests of citizens, institutions, organizations and the state, which are protected by law.

Entrepreneurs shall bear responsibility for injury and losses incurred, as determined by law.

Upon application of a creditor, prosecutor or other authority provided by legislation, any entrepreneur can be declared bankrupt by a court or an arbitration if his resources are inadequate to cover debts and there is no possibility for financial improvement of the enterprise.

#### Article 11. Cessation of Entrepreneurial Activity

Entrepreneurial activity shall cease:

- on the initiative of an entrepreneur;
- on the basis of court or arbitration judgement;
- in case of license expiration;
- in case of bankruptcy.



### SECTION 3. ENTREPRENEUR AND STATE

#### Article 12. General Guarantees of Entrepreneur's Rights

The state guarantees to all entrepreneurs, regardless of chosen organizational of entrepreneurial activity, equal rights and creates equal conditions for access to material-technical, financial, labor, informational, natural and other resources.

Material-technical and other resources subject to centralized state distribution be made available to entrepreneurs, on the condition that entrepreneur shall perform and delivery for state needs.

In instances anticipated by law, an entrepreneur or a person employed by him be enlisted for performing state duties during their working time. Authorities undertake such decision shall cover losses incurred by an entrepreneur.

Disputes regarding compensation for losses shall be settled by a court arbitration of appropriate jurisdiction.

#### Article 13. Guarantee of Property Rights of Entrepreneur

The state guarantees the inviolability of property and protects property rights of entrepreneur.

The confiscation of basic and current assets and other property used entrepreneur shall not be permitted, except in cases identified by enactments of UkrSSR.

Losses of an entrepreneur, arising from violation of his property rights can any citizen, legal persons and state bodies, shall be covered in accordance with the legislation.

#### Article 14. State Support of Entrepreneurial Activity

For the purpose of creating favorable organizational and economic conditions development of entrepreneurial activity, the state shall:

- allocate plots of land, transfer state property (industrial premises, unutilized accommodations, temporarily closed and unfinished units, unused equipment required for entrepreneurial activity in accordance with conditions regulations determined by effective legislation;
- in accordance with Article 12 of this law, assist in assuring the availability of material-technical supply, information services, staff training and re-training;
- realize primary installation of object of industrial and social infrastructure for undeveloped territories with eventual sale or credit for such facilities for the entrepreneurs;
- stimulate modernization of technology, innovative activity, development of new production and services by economic means (purpose subsidies, tax privileges, etc);
- grant purpose credits to entrepreneurs;
- give other types of aid.

#### Article 15. State Regulation of Entrepreneurial Activity

The state shall secure, according to effective legislation, free competition among entrepreneurs, protecting consumers from unfair competition and monopoly in any sphere of entrepreneurial activity.

State administrative bodies shall establish their relation to entrepreneurs utilizing:

- tax and financial policy including establishment of tax rates and interest rates on state credits, tax privileges, prices and price formation rules, purpose subsidies, exchange rates, economic sanctions;
- state property and amounts of reserves systems, licenses, concessions, leasing, social, ecological and other standards;
- scientific-technical, economic and social republican and regional

programs;

- contracts for performing work and deliveries for the state.

Intervention of state bodies in economic activity is not permitted, unless this activity does not affect the rights of state bodies for controlling entrepreneurs' activity anticipated by law of the UkrSSR.

State bodies and officers may give instructions to entrepreneurs only in accordance with the authority as determined by law. In the event that instructions are given by officials who are outside their authority or the provisions of law, an entrepreneur has the right to refer to a court to invalidate these documents.

Losses of an entrepreneur resulting from performance of the instructions of state, or other authorities or their employees, and which violate the rights of the entrepreneur, also a result of improper fulfillment of duties, shall be compensated by such authorities.

#### Article 16. Activity of Foreign Entrepreneurs

Foreign citizens or stateless persons who carry out entrepreneurial activity on the territory of the UkrSSR, on its continental shelf and in exclusive (maritime) zone, shall have the same rights and bear the same responsibilities as citizens of the Ukrainian SSR, unless otherwise required by the Constitution of the UkrSSR, this Law and other enactments of the Ukrainian SSR.

Procedures for carrying out entrepreneurial activity on the territory of the UkrSSR, on its continental shelf and in exclusive (maritime) zone by foreign juridical persons, shall be determined by enactments of the Ukrainian SSR.

#### Article 17. International Treaties

If other regulations established by international treaty to which UkrSSR is a party come into conflict with those provided by legislation of the UkrSSR concerning entrepreneurial activity, the regulational treaty shall be applied.

Chairman of the Supreme Soviet of the  
Ukrainian SSR

L. Kravchuk

Kiev, 7 February, 1991