CHANGES TO CORPORATE LEGISLATION

March 1, 2009

To Our Clients and Friends:

On July 1, 2009, Federal Law of the Russian Federation No. 312-FZ dated December 30, 2008 on Amending Part One of the Civil Code of the Russian Federation and Certain Legislative Acts of the Russian Federation (the "Law") will enter into force. The **Law** introduces a number of material changes to legislation governing the legal status of limited (additional) liability companies (an "**LLC**" or "**company**") and the participants thereof, many of which will require that the constituent documents of an LLC be amended.

The charters and foundation agreements of companies established prior to July 1, 2009 will have to be brought into line with the Law by January 1, 2010.

The Law eliminates many of the shortcomings currently found in the law on LLCs, fills in some of the gaps, clarifies and details many LLC corporate procedures, and also introduces a number of new concepts to ensure that the law on LLCs is more consistent with the modern commercial environment. However, certain provisions of the Law appear poorly drafted, while some of the procedures envisaged in the Law (such as the procedure for the transfer of a participation interest in the charter capital of a company) are rather "excessive," which could somewhat lessen the positive effects of the adoption of the Law.

We set forth below a brief overview of some of the more substantial amendments.

CONSTITUENT DOCUMENTS OF A COMPANY

Russian law currently envisages two[1] constituent documents for an LLC: a charter and a foundation agreement. Until now, such "twin" constituent documents were the cause of a whole range of unnecessary complications for LLCs, brought about, in part, by (a) the duplication of many provisions in the charter and the foundation agreement of the LLC[2], (b)

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1 Other than in the case of a company comprised of one participant.

2 For example, both the charter and the foundation agreement of an LLC must state the amount of company charter capital, the share of each participant of the company, the composition of company bodies and the procedure for the withdrawal of a participant from the company.

the need to reflect and register amendments concurrently in both documents, and (c) different procedures for amending each document.[3]

The Law eliminates the twin nature of the constituent documents of an LLC by removing the requirement for a foundation agreement. Thus, upon the entry into force of the Law the only constituent document of an LLC will be the company charter, which can generally be amended without obtaining the consent of all company participants, as opposed to the foundation agreement, which cannot.

In addition, under the Law details of the size and nominal value of the share of each company participant are excluded from the information that must be shown in the charter of an LLC, thus eliminating the need to amend the company charter each time the structure of the company's charter capital and/or composition of participants changes. Upon the entry into force of the Law such details will have to be included in the unified state register of legal entities and reflected in the list of company participants which the company must maintain under the Law.

SHAREHOLDERS' AGREEMENT

One of the material innovations in the Law is the "legalization"[4] in Russia (with certain restrictions) of such an institution of corporate law as the shareholders' agreement, which is used widely in the West. Under the Law company participants (or founding members of a newly established company) may enter into an agreement on the exercise of the rights of company participants, under which they undertake to exercise their rights in a certain manner and/or refrain from the exercise of such rights[5], including (a) voting in a certain way

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3 Thus, resolutions on amending the charter of an LLC are generally adopted by a majority of not less than two-thirds of the total votes of company participants. But the foundation agreement, being a multilateral transaction, requires that all of the persons that are parties thereto (all company participants) express their consent to amend the foundation agreement. Therefore, in order to amend a whole range of provisions contained in the charter of an LLC, currently an unanimous resolution must be adopted by all company participants, simply due to the fact that such provisions are duplicated in the foundation agreement of the company. For instance, without the consent of all company participants it is not possible to include details of the share of a new participant in the constituent documents, or to amend details of the share reallocation among existing participants.

4 Some experts believe that current Russian legislation (in particular, Arts 9.2 and 22.3 of the Russian Civil Code) prohibits agreements that allow company participants to govern the exercise of their rights as company participants, and this is confirmed by the scant and often not entirely incontrovertible court practice.

5 A literal interpretation of this provision of the Law could preclude a company from acting as a party to an agreement on the exercise of the rights of company participants, as it often does in shareholders' agreements.

at the general meeting of participants, (b) agreeing to vote in a certain way with other participants, (c) selling a participation interest or part thereof at a certain price set forth in such agreement and/or upon certain conditions being met or refraining from the alienation of a participation interest or part thereof until certain conditions are met, or (d) performing other agreed actions in connection with management of the company or the establishment, operation, reorganization or liquidation of the company.

It is important to note that the provisions of the Law do not make it clear whether an agreement on the exercise of the rights of company participants may only be concluded (a) among all company participants, or (b) among or between any of the company participants.

Allowing company participants to regulate the relations between them using such a "flexible" instrument as an agreement on the exercise of the rights of company participants could greatly increase the appeal of LLCs in comparison to other types of business forms, which would depend to a large extent on the efficacy (adequacy) of the legal protection afforded by Russian courts to the interests of company participant(s) in the event that another company participant is in breach of the obligations laid down in the agreement on the exercise of rights of company participants.

Since the Law contains no special provisions, the legal consequences of failure to perform or duly perform the agreement on the exercise of the rights of company participants will be determined on the basis of the general rules governing liability for breach of an obligation. Thus, a company participant in breach of any obligation under the agreement on the exercise of the rights of company participants will as a general rule be required to compensate the damages incurred by the aggrieved party (the other company participants who are party to the agreement) as a result of such breach. However, proving the amount of damages incurred and the grounds for such damages, as well as a causal relationship between the failure to comply with the terms of the agreement on the exercise of the rights of company participants and the damages incurred could be extremely difficult (*e.g.*, in the event that a company participant is in breach of the obligation to vote in a certain way at the general meeting of company participants as provided for by the agreement on the exercise of the rights of company participants). This issue may only partly be resolved by including a substantial penalty in the agreement for breach thereof, because under Art. 333 of the Russian Civil Code the courts may at their discretion reduce the amount of penalties should such penalties obviously be incommensurate with the consequences of the breach of obligations. Given the above, compensation for damages and/or recovery of penalties may not always provide adequate protection for the interests of "aggrieved" company participants. At the same time, it is not clear whether such legal remedy as specific performance, such as in the above example of breach by a company participant of an obligation set forth in the agreement on the exercise of the rights of company participants to

vote in a certain way at the general meeting of company participants, could be applied to best serve the interests of "aggrieved" company participants. Nevertheless, to ensure the protection of the interests of company participants it is desirable to include in agreements on the exercise of the rights of company participants provisions stating that indemnification of losses and/or payment of penalties does not release the "violating" company participant from specific performance of its obligations.

Having defined rather broadly the aspects of the relations among company participants that may be governed by an agreement on the exercise of the rights of company participants, the Law does not, nevertheless, include any provision for an agreement on the exercise of the rights of company participants to regulate, *inter alia*, such matters related to management of a company (which are often included in shareholders' agreements) as (a) non-proportional distribution of company profits, and (b) non-proportional allocation of votes at general meetings of company participants, etc.[6]

Under the Law the agreement on the exercise of the rights of company participants may envisage the obligation of a company participant to sell a participation interest or part thereof at a certain price set forth in such agreement and/or upon certain conditions being met, which, in part, allows the inclusion in the agreement on the exercise of the rights of company participants of such procedure as a "call option." Based on the general rule in the Law that agreements on the exercise of the rights of company participants may govern the exercise by company participants of any of their rights, the Law may be interpreted as also allowing the inclusion in the agreement on the exercise of the rights of company participants of such procedure as a "put option," since in this situation the agreement will be regulating the right of one company participant to sell its participation interest (or part thereof), to be exercised by way of the corresponding obligation of another company participant to acquire such participation interest (or part thereof) upon certain conditions being met.[7]

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6 It is worth noting that under Art. 28 and Art. 32 of Federal Law No.14-FZ dated February 8, 1998 on Limited Liability Companies (the "LLC Law") non-proportional distribution of company profits and/or non-proportional allocation of votes at general meetings of participants may be provided for in the company charter. However, the relevant provisions may only be included in the company charter subject to the unanimous approval of all company participants. Therefore, if not all of the participants are parties to the agreement on the exercise of the rights of company participants, those company participants that are parties thereto will only be able to regulate the above matters if they obtain the consent of all company participants that are not parties to this agreement.

7 However, it is not clear whether a "put option" may be included in an agreement on the exercise of the rights of company participants, since a "put option" is not expressly provided for in the Law, as opposed to a "call option," which is.

ESTABLISHMENT OF COMPANY

The Law sets forth in detail and introduces a number of innovations to the procedure for establishing a company. Under the Law a company is established by an unanimous resolution of the founding member(s). The resolution on the establishment of the company is made in written form and must contain the information set forth in the Law (including the results of the vote by the company's founding members and their resolutions on establishment of the company, adoption of the company charter, election (appointment) of the company's management bodies, etc.).

The Law envisages that, upon the establishment of a company, a majority of not less than three-quarters of the total votes of the company's founding members is required for the election of the company's management bodies, formation of the internal audit commission (company internal auditor) and approval of the external auditor of the company, thereby excluding the option provided by the current legislation for the company's founding members themselves to determine the voting procedure on such matters upon the establishment of the company. The Law also sets forth the voting procedure on these matters in the event that the participation interest of each of the founding members of the company has not yet been determined at the time of voting on these matters. In this case each founding member of the company has one vote. Furthermore, the Law may be interpreted to mean that the participation interest of each of the founding members will be deemed to have been determined only upon the conclusion by the founding members of an agreement on the establishment of the company. It is thus preferable that the agreement on the establishment of the company be concluded prior to voting on the above matters, otherwise there is a possibility that even if the meeting of founding members adopts a resolution determining the participation interest of each of the company's founding members (without having entered into an agreement on the establishment of the company), the participation interests of the founding members will be deemed not to have been determined for purposes of the adoption by the company's founding members of resolutions on the above matters.

If the company is established by more than one founding member, they must enter into a written agreement on the establishment of the company setting forth the manner in which they are to act jointly in establishing the company, the size of the company's charter capital, the size and nominal value of the participation interest of each of the company's founding members, and the size and procedure and deadline for payment for such participation interests in the company's charter capital. The agreement on the establishment of the company replaces the foundation agreement insofar as it regulates the legal relations between the founding members upon the establishment (formation) of the company. The agreement on the establishment of the company, in contrast to the foundation agreement, is not a

constituent document of the company and does not require adherence thereto by persons that become company participants after the establishment (formation) of the company.

It is also worth noting that the Law introduces limits on the extent of the company's liability in respect of the obligations of the founding members relating to establishment of the company and arising prior to state registration thereof. Under the Law the extent of such liability of the company may not in any case exceed one-fifth of the paid up charter capital of the company.[8]

The Law expressly provides for participation interests (or part thereof) that were not paid for by the company's founding members upon establishment of the company by the specified deadline to be paid for upon the expiry of such specified deadline.[9] Furthermore, the Law allows for payment for such participation interests (or part thereof) even after the expiration of one year from the date of state registration of the company. Under the Law any participation interest (or part thereof) that is not paid for within the specified time (which, under both the Law and the existing wording of the LLC Law may not exceed one year from the date of state registration of the company)[10] passes to the company and must be sold pursuant to a resolution of the general meeting of company participants within one year of the date that it passes to the company at a price not less than the nominal value thereof. A participation interest (or part thereof) that is not sold within the specified time must be cancelled, and the company charter capital must be reduced by the nominal value thereof.

It must also be noted that, as in the JSC Law,[11] the Law expressly provides that the agreement on the establishment of the company may contain provisions on the recovery of penalties for failure to perform the obligation to pay for a participation interest in the

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8 Existing legislation does not provide for any limit of such liability.

9 The existing wording of the LLC Law does not expressly provide for such possibility; however, the provisions of the law may be interpreted such that in the event that a participation interest passes to the company due to non-payment thereof (in full or in part) by a founding member, the company may sell such participation interest to the other founding members and/or third parties, unless prohibited by the company charter, before the expiration of one year from the date of state registration of the company.

10 In contrast to the Law, under which in the event that a participation interest is not paid in full only the unpaid portion thereof passes to the company, the existing wording of the LLC Law envisages that in such case, as a general rule, all of the participation interest passes to the company (i.e., the founding member is effectively excluded from the company), and in order that only the unpaid portion of the participation interest passes to the company this must be expressly set forth in the company charter.

*11 Federal Law No. 208-FZ dated December 26, 1995 on Joint Stock Companies (the "**JSC Law**").*

company, and also envisages that the founding members of the company may only vote to the extent their participation interests are paid for,[12] unless otherwise provided for in the company charter.

LIST OF COMPANY PARTICIPANTS

As already noted, under the Law details of the size and nominal value of the participation interest of each company participant have been removed from the list of mandatory details to be included in the charter of an LLC. At the same time, the Law places an obligation on the company to maintain a list of company participants, which must include details of: (a) each company participant, (b) the size of their participation interest in the charter capital of the company and payment therefore, and (c) the size of participation interests held by the company, and the dates on which they passed to the company or were acquired by the company. Details of the size and nominal value of the participation interest of each company participant are also recorded in the unified state register of legal entities. If there is a disparity between the details shown in the list of company participants and the details contained in the unified state register of legal entities, rights to a participation interest (or part thereof) in the charter capital of the company are determined pursuant to the details contained in the unified state register of legal entities.

TRANSFER OF A PARTICIPATION INTEREST OR PART THEREOF

The Law sets forth in considerable detail the procedure for the transfer of the participation interest (or part thereof) of a company participant in the charter capital of the company to other company participants and third parties, and also introduces a number of innovations.

Preemptive Right to Purchase a Participation Interest

The Law regulates in a more detailed manner the procedure for the exercise by company participants or the company[13] of the preemptive right to acquire a participation interest (or part thereof) being sold by a company participant to a third party. One of the innovations of this procedure is that it allows for the preemptive right of company participants or the company to acquire a participation interest (or part thereof) at a price laid down in advance in the charter, and not only at the price offered to a third party, as envisaged under existing legislation, to be prescribed in the company charter. The relevant provisions may be

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12 The current wording of the LLC Law does not provide for such restriction.

13 Provided such right of the company is set forth in the company charter.

included in the company charter upon a resolution of the general meeting of company participants adopted unanimously by all company participants. It should be noted that the company charter may provide only for one of the following "types" of preemptive right to acquire a participation interest (or part thereof): either (a) at the price offered to a third party, or (b) at a price set forth in advance in the charter. Under the Law the purchase price of a participation interest (or part thereof) may be defined in the company charter either in absolute terms (a fixed monetary value), or as a formula based on one of the criteria[14] determining the value of a participation interest (*e.g.*, net asset value of the company, book value of the assets of the company as of the latest reporting date, net profit of the company, etc.). Furthermore, the purchase price of a participation interest (or part thereof) as defined in the charter must be the same for all company participants, while the purchase price of a participation interest (or part thereof) for the company may be different, but not less than the purchase price provided for participants.

One other innovation expressly set forth in the Law is the possibility of the partial exercise by participants or the company of the preemptive right to purchase a participation interest (or part thereof) if such right is provided for in the company charter. The relevant provisions may be included in the company charter upon an unanimous resolution of the general meeting of company participants.

It is also worth noting that notice to the other company participants of the intention of a participant to sell its participation interest (or part thereof) to a third party is qualified under the Law as an offer (it even uses this term), which as a general rule may only be withdrawn upon the consent of all company participants.

In addition, under the Law the period during which company participants may exercise their preemptive right to purchase a participation interest (or part thereof) may not be less than thirty days from receipt of the notice (offer) by the company, whereas current legislation allows for the establishment of a shorter period by including the relevant provisions in the company charter.

Sale of a Participation Interest by Public Tender

Developing the notion that LLCs are a form of incorporation that by nature is closed, the Law provides that, upon the sale of a participation interest (or part thereof) by public tender,

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14 A literal interpretation of these provisions of the Law can lead to the conclusion that the Law does not allow for several criteria to be applied simultaneously in setting forth in the charter the price of a participation interest, which in practice could prove a major hindrance to calculating the "real" value of the participation interest and, consequently, to applying such rules.

the rights and obligations of a company participant under such participation interest (or part thereof) pass to the purchaser only upon the consent of the other company participants, while current legislation provides that such purchaser becomes a company participant regardless of the consent of the company or other company participants.

Procedure for the Transfer of a Participation Interest

One of the material innovations in the Law directed towards counteracting the misappropriation of participation interests in the charter capital of an LLC is the introduction of mandatory notarization of transactions involving the transfer of participation interests in the charter capital of an LLC.[15] The Law establishes an exhaustive list of exceptions to this rule applying to such situations as a participation interest passing to the company and the sale of a participation interest belonging to the company,[16] such that any other transactions involving the transfer of participation interests in the charter capital of a company without notarization will lead to their being declared invalid (void). It must be noted that the notarization requirement also applies to agreements for the pledge of participation interests.

The Law places a duty on the notary that notarizes a transaction involving the transfer of a participation interest (or part thereof) in the charter capital of a company to verify the authority of the transferor to dispose of such participation interest (or part thereof), and prescribes in detail the procedure for verification of such authority. Furthermore, the Law provides that if a transaction involving the transfer of a participation interest (or part thereof) needs to be notarized pursuant to the Law, the documents for amending the unified state register of legal entities following the transfer of title to the participation interest (or part thereof) may only be filed with the authority responsible for state registration of legal entities by the notary who notarized the respective transaction. In this case the notary bears the responsibility for the timely filing of such documents (within three days from the date of notarization of the transaction).

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15 Current legislation provides that such transactions must as a general rule be concluded in simple written form, and that a requirement to have them notarized may be set forth in the company charter or by agreement between the parties.

16 It must be noted that the Law may be interpreted to mean that despite any explicit references in the Law, the requirement for notarization does not apply to transactions for the purchase of participation interests by public tender, by inheritance, succession, or upon the liquidation of a legal entity. At the same time it is not at all clear whether the requirement for notarization applies in other cases, e.g., upon the reorganization of an LLC (in particular, to accession agreements).

Of special interest is the provision of the Law establishing that a participation interest (or part thereof) in the charter capital of a company passes to the purchaser upon the notarization of a transaction involving the transfer of the participation interest (or part thereof) in the charter capital of the company or, in cases not requiring notarization, upon recording of the respective amendments in the unified state register of legal entities on the basis of title documents. This provision of the Law precludes the conclusion of any transactions for the disposal of a participation interest in an LLC subject to any conditions precedent, which in practice are often included (*e.g.*, subject to the purchaser receiving prior approval from governmental authorities for the acquisition of the participation interest, or the delivery of certain documents by the parties to one another, etc.), and this complicates the structuring of transactions with participation interests in an LLC to a considerable degree. It must be noted that making an agreement to transfer a participation interest subject to foreign law (including those cases where all parties to the transaction are foreign nationals or entities) will more than likely not provide a solution to this problem (*i.e.*, it will not remove the requirement for notarization of the transaction and/or alter the moment at which title to the participation interest is transferred), for a number of reasons: (a) there is a high probability that in the event of a dispute the Russian courts will, pursuant to the provisions of Section VI (Private International Law) of the Russian Civil Code, apply Russian law to such agreement, rather than the foreign law agreed by the parties; and (b) the taxation authorities could refuse to make the necessary amendments to the unified state register of legal entities, since the Law establishes a clear procedure for the registration of such amendments, including a list of documents to be filed for registration and the form thereof, as well as a procedure for filing (through a notary, with the few exceptions as noted above). It must also be noted here that the details entered in the unified state register of legal entities take precedence over the list of participants kept by the company. Thus, in order to protect their interests, parties to a transaction for the transfer of title to a participation interest in an LLC will have to use alternative (but not always equally effective) legal mechanisms in place of conditions precedent, *e.g.*, include conditions subsequent in agreements on the transfer of title to a participation interest.

Recovery of a Participation Interest

Another innovation in the Law aimed at counteracting the misappropriation of participation interests in the charter capital of an LLC is that it explicitly provides for the recovery of a participation interest in the charter capital of an LLC, including recovery from a *bona fide* purchaser. A participation interest may be recovered from a *bona fide* purchaser only if it was unlawfully taken into possession by third parties or otherwise against the will of the person that was divested of the participation interest. Such claim may be made within three years from the date on which the person that was divested of the participation interest became aware, or should have become aware, of the violation of its rights.

WITHDRAWAL OF A PARTICIPANT FROM THE COMPANY

The Law restricts the right of participants to withdraw from the company. While current legislation allows a company participant to withdraw from the company at any time, regardless of the consent of the other participants or the company itself, with the entry into force of the Law a participant will only be able to withdraw from the company if such right is expressly set forth in the company charter. Such right may be included in the charter of an LLC upon the unanimous approval of all company participants. The introduction of such provision will provide stability to the operations of an LLC, will make them more dependable, and will provide better protection for the interests of participants and creditors of the company.

It is also worth noting that the Law changes the procedure for calculation of the real value of a participation interest by specifying that it must be determined on the basis of the company's financial statements for the last reporting period preceding the date of the notice of withdrawal from the company and reduces the period for payment of the real value of the participation interest to three months from the date of the above notice. By comparison, under the current legislation the real value of a participation interest is calculated on the basis of the company's financial statements for the year during which the notice of withdrawal from the company was submitted, and it must be paid within six months after the end of such year.

While limiting the right of participants to withdraw from the company, the Law nevertheless provides certain protection for the interests of company participants, including those with no substantial influence on decision-making by the general meeting of company participants, by providing for the right of a participant to demand that the company buys out its participation interest in the event that the general meeting of company participants adopts a resolution approving (a) a major transaction, or (b) the increase of company charter capital by way of additional contributions from company participants, provided that the participant voted against the adoption of such resolution or did not take part in the voting. A company participant may submit such demand within forty-five days from the date on which the company participant became aware, or should have become aware, of such resolution.

COMPETENCE OF THE COMPANY'S MANAGEMENT BODIES

The Law provides a considerably expanded list of specific matters that may be included in the competence of the board of directors of a company. Furthermore, unlike existing

legislation on LLCs,[17] the Law expressly allows for other (not specified in the LLC Law) matters to be included in the competence of a company's board of directors if the relevant provisions are included in the company charter.

However, it must be noted that there are a number of overlapping items in the list of matters falling within the competence of the general meeting of company participants and the list of matters that may be included in the competence of the board of directors of a company,[18] in respect of which the Law for some reason fails to provide that such matters fall within the competence of the general meeting of company participants, unless the company charter refers such matters to the competence of the board of directors, as is the case with the formation of the company's executive bodies. This could lead to inconsistent interpretation.

The use of the term "competence of the general meeting of participants" instead of "exclusive competence of the general meeting of participants" in the Law in respect of the matters set forth in Art. 33.2 of the LLC Law raises doubts about whether matters not expressly specified in the LLC Law may be referred to the competence of the general meeting of company participants.[19]

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17 Ambiguities in the provisions of the current wording of the LLC Law governing the scope of the authority of the board of directors of a company have given rise to a multitude of different and often diametrically opposed interpretations. Some academics have stated that the scope of the possible authority of the board of directors of a company is limited by the exhaustive list of matters expressly specified in the LLC Law, while others believe that the list of possible matters on which the board of directors of a company may have authority is not exhaustive and the only matters that cannot be included are these referred to the exclusive competence of the general meeting of company participants (this argument is supported by the scant available court practice).

18 For instance, the following matters are included in both lists: (a) determination of the primary areas of operation of the company, (b) resolutions on the participation of the company in associations and other commercial alliances, (c) approval (adoption) of documents governing the internal operations of the company (company by-laws), and (d) establishment of branches and representative offices of the company (Art. 5.1 of the LLC Law).

19 Under current doctrine an approach has been formulated (which is borne out by court practice) whereby the competence of the general meeting of company participants is not limited to the matters set forth expressly in the LLC Law, by virtue of the fact that the current wording of the LLC Law does not explicitly specify otherwise, and based on the fact that the competence of the general meeting of company participants includes (a) matters set forth expressly in the LLC Law that may not be referred to other management bodies of the company ("exclusive competence"), and (b) other matters not set forth expressly in the LLC Law that may be referred to other management bodies of the company ("non-exclusive competence").

INTERESTED PARTY AND MAJOR TRANSACTIONS

The Law introduces a number of provisions providing clarifications to the LLC Law, as well as new rules, aimed at the regulation of major transactions and interested party transactions, which take into account the experience of applying such norms within a joint stock company.

In particular, the Law – as with the JSC Law – broadens the list of persons whose interest in a transaction will require approval of such transaction as an interested party transaction (adding persons entitled to issue mandatory directions to the company), clarifies the grounds for declaring an interest, extends the list of exceptions for when a transaction does not require approval as an interested party transaction (*e.g.*, when all company participants are interested parties to the transaction),[20] and clarifies the content of the resolution approving an interested party transaction.

In addition to transactions performed with property valued at more than 25% of the value of the company's property (as provided for under current legislation), the Law also treats as major transactions those transactions, the subject of which is property valued at an amount equal to 25% of the value of the company's property, and provides for major transaction approval procedure for transactions performed with property valued at less than 25% of the value of the company's property if the relevant provisions are included in the company charter (which would, if required, give tighter control over the executive bodies of the company to the company participants or board of directors of the company).

The Law also establishes a list of exceptions for when a major transaction does not require approval in the manner specified for major transactions (*e.g.*, in the event of reorganization in the form of consolidation or merger, including merger agreements or accession agreements).

Under the current legislation, if a major transaction is also an interested party transaction, such transaction must be approved twice: (a) as an interested party transaction, and (b) as a major transaction. The Law abolishes this often unnecessary requirement and sets forth that in such case the transaction should be approved only as an interested party transaction. However, if all participants are interested parties to the transaction, then such transaction must be approved as a major transaction.

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20 It must be noted that a number of other transactions that should, objectively speaking, also have been included in such list of exceptions are, nevertheless, subject to approval as interested party transactions under the Law (e.g., transactions relating to the allocation of participation interests among company participants, or transactions relating to additional contributions made by company participants to company charter capital).

OTHER AMENDMENTS

In contrast to the current legislation, the Law establishes a time limit for appealing decisions of the board of directors and executive bodies of the company. A claim disputing such decision may be filed with a court within two months from the date on which the company participant became aware, or should have become aware, of the decision. However, the Law does not provide for the members of the board of directors or collective executive body of a company to challenge the decisions of the board of directors or collective executive body, respectively, unless they are also company participants.

Pursuant to the Law a company may be transformed into a commercial entity of any other type, or a commercial partnership or production cooperative, whereas now it is only possible to be transformed into the following forms of incorporation: joint stock company, additional liability company, or production cooperative.

We would be happy to answer any questions you may have on this or any other aspect of corporate law.

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