

Republic of Lithuania

LAW ON AGRICULTURAL COMPANIES

Chapter 1

General Provisions

Article 1. Objectives of the Law

This law shall regulate the formation, administration, and activities of agricultural companies (hereinafter -- companies), the rights and duties of their members, and the formation and distribution of the company capital, as well as the liquidation of companies.

Article 2. Agricultural Companies

1. A company shall be an enterprise formed by natural persons by joining their property into jointly owned property for production and commercial activities in agriculture.
2. A company must have at least 2 members. There shall be no limit for the maximum number of members.
3. A company shall be a legal person, an enterprise with limited liability. A company's property can be separated from the property of its individual members. The obligations of a company shall be met from the company capital. A company shall not be liable for the obligations of its members when such obligations are incurred by activities not related to the activities of the company.

Article 3. The Name of a Company

1. A company shall have its own name (name of the firm). The name must contain the name of the district (county) and either the words "Agricultural Company" or the abbreviation of these words "AC" (ZUB).

2. A company cannot have a name (name of the firm) which is identical to that of any enterprise registered in the district (county). Disputes over the name of a company shall be resolved in court.

Article 4. A Company's Rights and Obligations

1. A company shall have the right to:

1) carry on production and commercial activities, as provided in the company's bylaws, within the Republic of Lithuania and beyond the boundaries of the Republic;

2) have accounts with banking institutions of the Republic of Lithuania and other countries; and to have its own seal;

3) have subdivisions, subsidiaries and principal offices in the Republic of Lithuania and beyond its boundaries;

4) establish unions and associations of companies and cooperative companies and take part in their activities; (Amended 23 December 1993)

5) buy or otherwise acquire property which may be sold, rented, mortgaged and disposed of in any way;

6) conclude contracts, and lend (ownership capital only) and borrow sums of money or other property; (Amended 9 November 1993)

7) charge prices, rates and tariffs for its resources, products, or services, except in cases where prices are controlled by the State;

8) liquidate or reorganise the company in accordance with the procedure established by its bylaws; and

9) assess (reappraise) the company property. (Amended 23 December 1993)

2. A company may also have other property rights and obligations not stipulated in this Law, provided they do not contradict the laws of the Republic of Lithuania and the bylaws of the company.

3. Companies shall not have the right to issue shares.

4. In its production and activities, a company must observe the laws of the Republic of Lithuania and the bylaws of the company.

Chapter 2

Formation of a Company

Article 5. The Founders of a Company

Natural persons of the Republic of Lithuania, as well as foreign nationals who are forming companies with legal persons of

the Republic of Lithuania, may be founders of a company.

Article 6. Ways of Forming a Company

A company may be formed by founding a company or by reorganising the existing legal person in accordance with this and other laws of the Republic of Lithuania and standard acts of the Government.

Article 7. The Company's Founding Documents

A company's founding documents shall be: the founding agreement, the list of its members, the minutes of the organisation meeting, the founders' application concerning the activities, and the bylaws of the company.

Article 8. Preparation for the Founding of a Company

1. The founders of a company (at least 2 legally capable natural persons) shall draw up the founding agreement and the list of persons who wish to be members of the company, as well as the company's bylaws.

2. The founding agreement must specify the procedure for accepting contributions and the persons responsible for the receipt thereof. The company's founders shall establish the place and time for accepting contributions and shall appoint representatives for convening the organisation meeting.

3. The list of the company members must contain the following:

1) the serial number, and the member's first and last names, year of birth, and address;

2) the amount of the contribution received from the member (the amount must not be less than the nominal value specified in Par. 4 of Article 14); and

3) the member's signature.

4. The representatives shall control the payment of contributions, provide conditions for the members to get acquainted one week prior to the organisation meeting with the compiled list and drafts of other documents, and convene the organisation meeting.

Article 9. The Organisation Meeting

1. The organisation meeting shall be convened no later than 1 month from the day of the signing of the founding agreement.

2. Members who have made contributions amounting to no less than the amount specified in Par. 4 of Article 14 shall take part in the organisation meeting with the right of decisive vote.

3. The organisation meeting shall be valid when more than a half of the members included in the list participate therein. Decisions shall be adopted by $\frac{2}{3}$ majority vote. Upon failure to convene the organisation meeting, a repeat meeting shall be convened within 10 days. Upon failure to convene a repeat organisation meeting, the founding of the company shall be terminated. (Amended 23 December 1993)

4. The organisation meeting shall adopt the resolution concerning the founding of the company, shall approve the founders' report, shall adopt the company's bylaws, shall elect members of the company's board and the auditing commission (the auditor), and shall approve the salaries of the employees of said bodies.

5. The minutes of the organisation meeting shall be signed by the chairperson and secretary of the meeting. (Amended 23 December 1993)

Article 10. The Founders' Report

The founders shall draw up a report for the organisation meeting which shall state:

- 1) the founders' first and last names and passport data;
- 2) the company's name and objectives of activities;
- 3) the amount of the company's initial contributions;
- 4) the procedure for receiving and assessing personal property; and
- 5) founding expenses.

Attached to the report shall be the details of the received personal property.

Article 11. Company's bylaws

1. The company bylaws must state:

1) the name of the company and the address of the principal office. The principal office must be located on the territory of the Republic of Lithuania, in the place of permanent location of the board (administration);

2) the company's purpose, type of activities, and period of functioning;

3) the procedure for increasing and reducing the company's fixed capital, changing the amount of shares, and returning or transferring shares to the members of the company as well as to other persons;

4) property and labour relations of the company and its members;

5) the organisational and management structure of the company, the procedure for electing the board (administration) and the auditing commission (auditor), and their respective rights and obligations;

6) matters within the competence of the members' meeting, the procedure for convening the meeting and the voting procedure;

7) the procedure for fixing the workpay and the rules for distributing dividends; (Amended 23 December 1993)

8) the procedure for forming the capital reserve fund and other funds; and

9) the procedure for reorganising and liquidating the company and for distributing the property among the members.

2. The bylaws may also contain other rules which do not contradict the laws of the Republic of Lithuania.

Article 12. Registration of the Company

1. Within one month of the day the organisation meeting adopts the decision to form a company, the founders (representatives) shall file an application with the local government to register the company in the Enterprise Register.

2. Attached to the application shall be the company's founding documents specified in Article 7 of this Law, as well as a certificate testifying to the payment of the registration fee.

3. Disputes concerning the registration of a company shall be resolved in court.

Chapter 3

Capital of a Company

Article 13. Capital of a Company

1. A company's capital shall consist of the ownership

capital and the loan capital.

The company ownership capital shall be formed out of the contributions of the members and the profit of the company.

The company shall use state and private land in accordance with the laws of the Republic of Lithuania.

2. Ownership capital shall consist of fixed capital and capital reserve fund.

Fixed capital shall be formed out of the members' contributions, annual profit deductions, and other income. Fixed capital shall be used for the current activities of the company.

The capital reserve fund shall be formed out of annual mandatory profit deductions. The capital reserve fund shall be used to cover unforeseen expenses and losses.

3. Loan capital shall be formed from credit.

Article 14. Shares of Company Members

1. Shares shall be the property or non-property contribution of the company members entitling them to participate in the activities of the company and to receive a portion of its profit.

2. Members of a company may contribute their share in sums of money, in material and other values which are transferred to the ownership of the company, and in products of intellectual activity.

3. Non-monetary share contributions shall be assessed and approved pursuant to the procedure established in the company's bylaws.

4. The value of the minimum share contribution of the company member shall be 100 litas.

5. By the end of the year and upon approving the annual account of the company, the increase (reduction) of the fixed capital shall be distributed among the members in proportion to the value of their respective shares. The increase (reduction) of assets which is produced by the reappraisal of property shall be distributed in proportion to the value of shares. (Amended 23 December 1993)

6. The shares and their annual increase (reduction) shall be registered in the accounting documents of the members' property. The members shall be entitled at any time to familiarize themselves with the documents of property accounting and to receive extracts therefrom.

7. Shares may not be sold or purchased through exchange establishments or at auctions. (Amended 3 February 1993)

8. Upon returning a person his/her share or its part in kind or in cash, the fixed capital of the company shall be reduced by the amount equivalent to the value of the returned share.

Article 15. Increasing the Fixed Capital of a Company

The fixed capital of a company shall be increased as follows:

- 1) by admitting new members into the company;
- 2) by including [into the fixed capital] a portion of balance profit;
- 3) by receiving from the members additional contributions to their respective shares;
- 4) upon the increase of the value of constituent parts of the fixed capital; and
- 5) by reappraising the property (in the event that it has increased). (Amended 23 December 1993)

Article 16. Reducing the Fixed Capital of a Company

The fixed capital of a company shall be reduced as follows:

- 1) paying out or returning the member's share or a part thereof;
- 2) deducting from the fixed capital losses which are not covered from the capital reserve fund;
- 3) upon the decrease of the value of constituent parts of the fixed capital; and
- 4) by reappraising the property (in the event that it has decreased). (Amended 23 December 1993)

Chapter 4

Profit and Dividends

Article 17. Distribution of a Company's Profits

1. The profits of a company must be distributed within 2 months of the end of the business year.

Resolutions concerning the distribution of profit adopted by the meeting of a company's members must state:

- 1) the anticipated profit;
- 2) mandatory payments from profit;
- 3) deductions into the capital reserve fund;
- 4) the part of profit assigned for employee bonuses;
- 5) deductions for the increase of the fixed capital; and
- 6) dividends.

2. Annual deductions into the capital reserve fund shall amount to no less than 2 percent of the profit. Deductions into the fund shall be made until the capital reserve fund amounts to no less than 10 percent of the value of the fixed capital.

(Amended 23 December 1993)

Article 18. Dividends

1. Dividends are the portion of the profit allocated to the members in proportion to the value of their shares.

2. Dividends announced by the meeting of the company members shall be the company's liabilities to the members. The members shall have the right as creditors to recover from the company dividends due to them.

3. It shall be prohibited to announce and pay out the dividends:

1) if the company is insolvent; or

2) if, upon satisfying its liabilities and paying out the dividends, the company would become insolvent.

4. A company shall pay out dividends to its members in cash.

On the decision of the meeting and with the member's consent, dividends may be issued in material values.

5. The company may not recover dividends from its members which were paid out to them, except for cases when the member knew or should have known that the dividends were announced and paid out in violation of the requirements set forth in Par. 3 hereof.

Chapter 5

Rights and Duties of Company Members

Article 19. The Rights and Duties of Company Members

1. Company members shall have property and personal non-property rights and duties as provided for in this Law and other laws of the Republic of Lithuania, as well as in the bylaws of the company.

2. Company members may transfer their share or part thereof to another member of the company or third person by purchasing-selling, giving as a gift, or inheriting, or by other ways according to the procedure established by this Law. The chief executive of a county (township) shall be permitted to approve the contract on the transfer of a share or its portion (in cash) to another member of the company or to a third person. The fee for the approval of such contracts shall amount to 0.5 percent of the value of the transferred share. (Amended 3 February 1993)

Upon the establishment of a company, a person who inherits, purchases, receives as a gift, or in any other manner acquires a share of the company member or a part thereof shall become a member of the company only after having been admitted to membership of the company by the meeting of the company members. Should the meeting refuse admitting to company membership the person who has acquired a share, payments to such person shall be effected in the manner and terms established in this Law for a withdrawing member. (Amended 23 December 1993)

3. Company members shall have the right of priority to employment in the company.

4. The labour relations of company members and hired persons with the company shall be regulated by the Law on Employment and by other labour laws.

5. Every member of the company shall be entitled to request that the bylaws of the company be amended or supplemented.

6. Members shall have the right to familiarize themselves with the accounting balance sheet of the company and the profit and loss statement, and to verify whether they actually reflect the original documents.

7. When adopting a decision at a meeting, each member shall have one vote.

Resolutions shall be adopted by simple majority vote, unless this Law or the bylaws of the company provide for another procedure. During the adoption of a decision concerning the expulsion of a member from the company, that member shall not have the right to vote.

8. Disputes between the members and the company concerning property and non-property interests shall be resolved in court.

Article 20. Termination of Membership

1. Membership shall be terminated upon:

1) the member's death;

2) the member's withdrawal from the company; and

3) expulsion of the member from the company.

2. A member shall withdraw from the company by submitting a

written application.

3. In all cases, members shall be entitled to the receipt of their share either in cash or in kind, which the company must pay out. On withdrawing from a company, members shall have the right to regain their real property, including land. (Amended 23 April 1992)

A member withdrawing from a company and establishing a private farm or a group of members establishing another agricultural enterprise shall have the right to receive from the company a certain portion of property, either in kind (machinery, cattle, currents assets or other property in proportion to their respective shares and the value structure of the elements of the company property) or in cash according to the procedure and in the time period established in the company bylaws. (Amended 23 December 1993)

Other conditions of a member's withdrawal from a company and the terms of settling accounts with him/her shall be established in the company's bylaws.

4. In the cases when land (in excess of 3 hectares) belonging to a company member by ownership right is restored to him or his family member, or when a company member takes land on lease and establishes a private farm, or sells, donates, or lets the land on lease or in any other way conveys it to his family members or other persons, refusing to let it on lease to the company, the decision concerning further membership of such person in the company shall be adopted at the next meeting of the company members. (Amended 23 December 1993)

5. A member who violates the duties established by this Law and the company's bylaws may be expelled from the company by a resolution adopted at a meeting. Resolutions concerning expulsion may be appealed in court.

6. Property shall be returned to the expelled member according to the procedure and terms which are applicable to a withdrawing member.

Chapter 6

The Structure of Company Management

Article 21. Managing Bodies of the Company

The managing bodies of a company shall be the meeting of the members and the board (administration).

On the decision of the meeting, the board of the company may not be formed. Its functions shall be fulfilled by the meeting of the members and the head of the administration (chairperson, director). (Amended 23 December 1993)

Article 22. The Meeting of the Members of the Company

1. The meeting shall be the supreme managing body of the company.

2. The meeting shall have the right to:

1) amend and supplement the bylaws of the company;

2) admit new members to and expel them from the company;

(Amended 23 December 1993)

3) consider the work of the board of the company, approve the yearly account of the economic activities, and distribute the profit;

4) reorganise or liquidate the company or merge it with another company;

5) elect or dismiss members of the board or the auditing (auditors') commission, employ members of the administration, fix the salaries of the staff of the company's managing body;

6) establish or close down structural units or representative offices of the company;

7) approve the appraisal of non-monetary share contributions; --- Revoked (23 December 1993)

8) settle all other issues concerning the company's activities.

3. The meeting shall be convened every year by the board (administration) of the company within 2 months after the end of the business year.

4. The board (administration) of the company shall convene unscheduled meetings on its own initiative or at the request of the auditing commission (auditor), or on the written request of

1/4 of the company members. The meeting of the members of the company must be convened within 10 days of the submission of the request.

5. The meeting shall be valid if more than half of the company members take part therein. Decisions shall be adopted by simple majority vote. Decisions concerning the merger, reorganisation, or liquidation of a company shall be adopted by a 2/3 majority vote. (Amended 23 December 1993)

For adopting the bylaws of the company and making amendments thereto, as well as for the merging or liquidation of the company, participation of 2/3 of the members shall be required. Decisions shall be adopted by a 2/3 majority vote.

6. Voting at the meeting shall be open, with the exception of cases when 1/4 of the members or the company's bylaws require voting by secret ballot.

Article 23. Member Participation at the Meeting

1. The members of the company may participate in the meeting personally or through their proxies according to the procedure established in the bylaws of the company.

2. Hired members of the administration shall have the right to take part in the meeting without the right to vote.

Article 24. The Executive Body of the Company

1. The activities of the company shall be directed by the board, elected from an odd number of company members.

The members of the board and its chairperson shall be elected for a no longer than 4-year period and, when necessary, shall be removed from office by the meeting of the company members in accordance with the procedure specified in part 6 of Article 22 of this Law. (Amended 23 December 1993)

2. When the board is not formed, the meeting of members shall appoint the head of the administration (administrator) from the members of the company. The head of the administration shall be appointed in the same manner as the chairperson of the board. (amended 23 December 1993)

3. The executive body shall direct production and commercial activities and shall manage the affairs of the company according to the procedure established in the company's bylaws. The procedure of work of the executive body and the duties and powers of its employees shall be established by the rules of the board (administration) approved by the meeting of members.

Chapter 7

Company Accounting and Control of Company Affairs

Article 25. Company Accounting

Companies shall independently manage their accounting according to the accounting procedure established by the laws of the Republic of Lithuania. Companies shall have the right to keep information concerning their production and commercial activities

secret.

Article 26. Bodies of Control of the Company

1. Control over the company's activities shall be exercised by the auditing commission (auditor).

2. The auditing commission (auditor) shall be elected at the meeting of the company members for a term of no more than 4 years. (Amended 23 December 1993)

3. Members of the auditing commission (auditor) may not be members of the executive body of the company.

Article 27. The Auditing Commission

1. The auditing commission (auditor) must:

1) check the company's annual balance sheet, other documents of accounting and activities; and

2) during the meetings of the company members and sittings of the executive body, report all violations established in the activities of the company.

2. By the end of the business year and two weeks before the meeting of the company members, the board (administration) must notify the auditing commission that the company's annual account and balance sheet have been drawn up and that the commission may check the documents.

3. In their report the auditing commission (auditor) shall

present findings to the meeting of the company members concerning the annual account, balance sheet and the condition of the company.

4. When checking the activities of the company, the auditing commission (auditor) may summon experts.

Article 28. Responsibility of the Members of a Company's Executive Body

1. Every member of a company's board (administration) shall be responsible for damage inflicted on the company by his/her faulty actions.

2. Members of the executive body must jointly compensate for losses sustained by the company because of incorrect decisions adopted in violation of the company's bylaws or the laws of the Republic of Lithuania.

3. On the decision of the meeting of the company members, the company shall take an action against its officers.

Chapter 8

Termination of a Company's Activities

Article 29. Grounds for the Termination of a Company's Activities

1. The activities of a company shall be terminated:

1) upon the expiration of the established period of the company's activities;

2) upon the decision of the meeting of the company members;

3) if the company goes bankrupt;

4) if state management bodies adopt a decision to revoke the registration of the company for violations of the law in the cases established by law;

5) when the court satisfies the claim of the local government bodies concerning the termination of a company's activities in the event that the company disregards the notice and continues to flagrantly violate the laws of the Republic of Lithuania; and

6) in other cases provided for in the bylaws of the company.

2. Termination of a company's activities shall be registered in the manner established by law.

Article 30. Liquidation of a Company

1. The procedure for liquidating a company shall be regulated by this Law, other laws of the Republic of Lithuania, and the bylaws of the company.

2. A company shall be liquidated by the board (administration), who shall become the liquidator of the company. The meeting of the company members shall have the right, at its own discretion and at the request of the creditors or state management bodies, to chose other liquidators, to remove them at

any time, and to elect new liquidators. Upon electing the liquidators, the board (administration) shall terminate its powers and its functions shall be taken over by the liquidators.

3. Upon the appointment of liquidators, the company shall acquire the status of a company under liquidation.

4. In the event that disputable liabilities emerge during liquidation, a corresponding sum shall be allocated from the company assets and shall be placed on the deposit account of the notary's office.

Article 31. Rights and Duties of Liquidators

1. When commencing and terminating liquidation, the liquidators shall draw up the accounting balance sheets of the company.

2. The liquidators shall conclude the company's current commercial-economic activities, ascertain the creditors and debtors of the company, and, as necessary, auction the property remaining after the discharge of liabilities and satisfy the creditors' claims.

Article 32. Procedure for the Liquidation of a Company

1. The liquidators shall publicly announce in the press that the company is being liquidated two times with an interval of 15 days, and shall notify every member of the company in writing. The creditors' requests and claims shall be accepted for 3 months from the day of the second announcement of liquidation. Upon the expiration of the period, creditors who failed to file

their claims shall lose their right to demand that the adopted plan for the distribution of the company assets be changed.

(Amended 23 December 1993)

2. During liquidation a company shall retain the rights of legal person; however, the words "under liquidation" shall be added on the requisite of the company. A company under liquidation may only conclude contracts which are connected with its liquidation.

3. The liquidators must present a resolution to the officer of the Enterprise Register concerning the liquidation of the company. Attached to the report shall be the record of the meeting, as well as the first and last names and addresses of the liquidators.

4. The members of the company may not be paid out their share of property until the creditors' demands and other claims are satisfied. The company shall begin to satisfy the claims of the creditors only after paying state taxes.

5. If, after the discharge of liabilities to the creditors, disputes concerning the remaining property arise among the members, the liquidators shall suspend the distribution of property. Disputes between members of a company under liquidation as well as their disputes with the liquidators shall be settled in court.

6. The liquidators shall conclude all of the company's current affairs: they shall, according to the procedure and under the terms established by the meeting of the company members, sell the company's property, deposit with the cash department sums due

to the company from debtors, pay debts, satisfy other claims, and distribute the balance of the amount among the former members of the company.

7. At the date fixed by the meeting of the company members, the liquidators must present to the meeting an account of their activities; upon terminating the liquidation they must present an account covering the entire liquidation period.

8. Upon adopting a decision concerning the termination of the company's activities, the meeting of the company members may charge one of the liquidators to exercise control over all the income and other property of the company.

9. Upon the termination of the activities of a company, the liquidators or the trustee shall present to the officer of the Enterprise Register accounts of the received income and the appropriation thereof, as well as the company liquidation act.

10. The documents of the liquidated company shall be deposited with the local government to be kept for a 10 year period. Former members of the company and their heirs shall have the right of access to the documents kept in custody and to receive copies thereof.

Article 33. Liability of the Liquidators

Upon failing through their own fault to fulfill the duties charged to them according to laws, the company's bylaws, and resolutions of the meeting of the company members, the liquidators of the company shall be liable for inflicted losses.

Vytautas Landsbergis

President

Supreme Council

Republic of Lithuania

Vilnius

16 April 1991

No. I-1222