

AVELLUM PARTNERS

• Internationally Ukrainian •

IMPORTANT CHANGES IN CORPORATE LEGISLATION

*By Mykola Stetsenko, Managing Partner,
and Iryna Nikolayevska, Associate*



Starting from 16 October 2011 the following new rules on the liability of reorganized legal entities were introduced into the Civil Code of Ukraine:

- successors of a divided / spun-off legal entity bear secondary liability for obligations of the divided / “parent” legal entity;
- when several legal entities bear secondary liability for obligations of a reorganized legal entity, a creditor may claim the full amount of the debt from any of them on joint and several basis; and
- creditors of to-be-reorganized legal entities may only require their unsecured (but not all) obligations be terminated, early performed, or secured.

These novelties strip benefits from using a structure when all of the rights are transferred to one legal entity and all of the liabilities stay with an old legal entity as a result of a spin-off or a division (split).

Previously such rules were set out for joint stock companies only, and now they are applicable to all legal entities. This, in our opinion, will improve creditor protection in the process of reorganizations.

www.avellum.com
+38 044 220 0335

Avellum Partners is the law firm
specializing in corporate finance advice.