

REGULATION on the order of consideration of documents of enterprises with foreign investments submitted to the State Committee on Property of the Republic of Uzbekistan.¹

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1. General provisions

- 1.1 The Regulation is elaborated in accordance with the Laws of the Republic of Uzbekistan "On enterprises in the Republic of Uzbekistan", "On property in the Republic of Uzbekistan", "On divestment and privatisation", "On foreign investments and guarantees of activity of foreign investors" and the correspondent regulatory documents, in particular, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On improvement of the procedure of foundation, state registration and activity of enterprises with foreign investments in the Republic of Uzbekistan" N 55 of 12 February 1996. The Regulation governs the procedure of coordination with the GKI of the issues of transfer and evaluation of state property by state enterprises to the charter capital of enterprises with foreign investments, and the procedure of establishing of enterprises with foreign investments by selling to foreign investors of packets of shares (participatory shares, interest) of enterprises, as well as the order of sale of shares (participatory shares, interest) in the earlier founded enterprises with foreign investments. Item (Item in accordance with Amendments registered by the Ministry of Justice of 25.06.1996 N 179-1)
- 1.2 Enterprises with foreign investments and state share in the charter capital in the territory of the Republic of Uzbekistan can be founded by way of establishing of a new legal entity, when the existing enterprises unify their capital with foreign partners, or by way of selling to foreign investors of

¹ Registered by the Ministry of Justice of the Republic of Uzbekistan dd. 06.10.1995. n 179 approved by The State Committee of the Republic of Uzbekistan on Management of State Property and support of Entrepreneurship dd. 30.09.1995 and later was amended in accordance with the Amendments registered by the Ministry of Justice on 25.06.1996. N 179-1

² Annexes are not provided in English, please see Russian version of the Regulation

shares (participatory shares, interest) in enterprises of the Republic of Uzbekistan.

2. The order of coordination with the organs of the State Committee on Property of the issues of transfer and evaluation of state property transferred by state organisations to the charter capital of enterprises with foreign investments
 - 2.1 The order regulates the procedure of coordination with the organs of the State Committee on Property of the issues of transfer and evaluation of state property transferred by state enterprises to the charter capital of enterprises with foreign investments. Under state property shall be recognized a property recorded on the balance of state enterprises, transferred to them with the right of full economic management, as well as state property recorded on the balance of enterprises of all forms of ownership, transferred to them with the right of use and management excluding the right of disposal.
 - 2.2 In the establishing enterprises with foreign investments, the founder, a legal entity of the Republic of Uzbekistan (further referred to as the state-owned enterprise), having an intention to transfer state property to the charter capital of enterprises with foreign investments, invites experts of the organs of the State Committee on Property for holding negotiations. For carrying out negotiations on foundation of enterprises with foreign investments with the charter capital up to the amount equivalent to 1 mln. USD, shall be invited experts of the regional organs of the State Committee on Property, whereas in the event of foundation of enterprises with the charter capital exceeding 1 mln USD shall be invited experts from central apparatus of the State Committee on Property.
 - 2.3 Foundation of enterprises with foreign investments with the charter capital equivalent to 20 mln USD and more shall be implemented with the consent of the Cabinet of Ministers of the Republic of Uzbekistan.
 - 2.4 Upon negotiations, the founder, the state-owned enterprise, shall prepare jointly with its foreign partners foundation documents of the enterprise with foreign investments.
 - 2.5 For making resolution by the organs of the State Committee on Property, the founder, state-owned enterprise, shall submit to the State Committee on Property an application in the format specified in Annex No 1.
 - 2.6. The Application shall be supplemented with:
 - a project feasibility study or a business-plan of the enterprise with foreign investments for the next 5 years, approved by the founders.
 - originals and one copy of each of the foundation documents, endorsed by the founders (protocol of the founding meeting, foundation agreement and the charter);
 - conclusion of an independent auditing (consulting) company:
 - on evaluation of the property transferred to the charter capital of the enterprise with foreign investments;
 - on the submitted documents;
 - a certificate on the letterhead of the Uzbek founder with specification of the amount and term of monetary contribution –if Uzbek founders accomplish their contribution to the charter fund of the enterprise with foreign investment in the form of monetary means;

- copies of the excerpt from the trade register at the place of registration of the foreign founder and bank recommendation letter. (Item No 179-1 in accordance with Amendments registered by the Ministry of Justice of 25.06.1996).
- 2.7. The responsibility for authenticity of the information submitted to the organs of the State Committee on Property shall be borne by the founder,, state-owned enterprise.
- 2.8. Submitted documents shall be reviewed by the organs of the State Committee on Property within 10 days term.
- 2.9. At solving issues of transfer of state property to the charter capital of the established enterprises with foreign investments, organs of the State Committee on Property are entitled to:
- invite qualified specialists in appropriate fields for participation thereof as experts at the expense of funds of the founder ,, the state-owned enterprise;
 - conduct auditing of financial activity of the founder, the state-owned enterprise.
- 2.10. The organs of the State Committee on Property can refuse the transfer and evaluation the state property to the charter capital of enterprise with foreign investments in following cases:
- if the information submitted to the organs of the State Committee on Property does not corresponds to the facts;
 - if the documents are presented incomplete or improperly executed;
 - if there are proposals from other investors in relation to the founder,, state-owned enterprise, and a tender arrangement is contemplated;
 - if the field of activity of the enterprise with foreign investments includes an activity, forbidden by the law of the Republic of Uzbekistan;
 - if in relation to the enterprise with foreign investments or the founder, state-owned enterprise, exist resolutions of the Cabinet of Ministers of the Republic of Uzbekistan in any way forbidding or restricting foundation of the enterprise with foreign investments.
- 2.11. Organs of the State Committee on Property are not entitled to refuse to transfer and evaluate the state property based on inappropriateness of foundation of an enterprise with foreign investments.
- 2.12. Refusal of organs of the State Committee on Property in transfer and evaluation of state property must be executed and dispatched to the founder, state-owned enterprise, by post in 5 days from the moment of submission of the application of the founder, state enterprise, to organs of the State Committee on Property.
- 2.13. Consent of the State Committee on Property for transfer of state property to the charter capital of enterprises with foreign investments shall be executed by order through an organ of the State Committee on Property in the format according to Annex N 4.
- 2.14. The founder –state-owned enterprise within a week from the moment of registration of the enterprise with foreign investments in the prescribed manner submits a copy of the registration certificate to the organ of the state committee on Property, which has accepted the decision on transfer and evaluation of state property to the charter capital of enterprises with foreign investments.

- 2.15. The founder –state-owned enterprise, within two weeks from the moment of registration of the enterprise with foreign investments shall be obliged to execute acts of acceptance of the property from the balance of the founder (a state-owned enterprise) to the balance of the enterprise with foreign investments. The value of the state property, transferred to the charter capital of the enterprise with foreign investments, shall be recorded in the accounting balance of the founder (a state-owned enterprise) to the account 06 "Long-term financial investments " without reduction of volume of the charter capital of the founder (a state-owned enterprise).
- 2.16. At non-fulfillment of the terms, specified in items 2.11 and 2.13 of the Order, organs of the State Committee on Property have the right to annul the previously issued decision on transfer and evaluation of the state property.
3. The procedure of establishing of enterprises with foreign investments through sale of shares (participatory shares, interest) of enterprises of the Republic of Uzbekistan to foreign investors
- 3.1 The Order regulates the procedure of establishing enterprises with foreign investments by way of sale to foreign investors of shares (participatory shares, interest) of enterprises of the Republic of Uzbekistan.
- 3.2 Sale of shares (participatory shares, interest) of divested and privatized enterprises to foreign investors at their initial offering shall be made by organs of the State Committee on Property or persons authorized thereby.
- 3.3 Sale of shares (participatory shares, interest) of enterprises to foreign investors on the secondary market shall be effected by the owners of the shares (participatory shares, interest) or persons authorized thereby.
- 3.4 Sale of shares (participatory shares, interest) of divested and privatized enterprises to foreign investors at their initial offering can be effected through:
- direct negotiations;
 - auctions and tenders of both open and closed types;
 - investment trades;
 - open trades on the stock market.
- 3.5 The method of sale of shares (participatory shares, interests) of enterprises to foreign investors on the primary market shall be defined by the organ of the State Committee on Property, which has issued the decision on reorganisation of the state-owned enterprise into a company or a partnership based on the proposal made by the sectoral ministry, department, concern, corporation, union, association or directly by the company or partnership.
- 3.6 Sale of shares (participatory shares, interests) of enterprises, formed by way of reorganisation of state-owned enterprises into companies or partnerships, to foreign investors on the primary market through direct negotiations shall be made by organs of the State Committee on Property or authorized by them officials on the grounds of agreements achieved with foreign investors. Organs of the State Committee on Property or the officials authorized thereby shall conclude appropriate sale-purchase agreement with the foreign investor, and upon completion of the sale-purchase, shall deliver a letter with information on sale of packet of shares (participatory shares, interests) to foreign investor to the Ministry of Justice for due registration of the company or partnership as an enterprise with foreign investments, as well as directly to the company or partnership for notification purposes. Sale of shares

(participatory shares, interests) to foreign investors at a price less than the nominal value of shares (participatory shares, interests) is not allowed.

3.7 Sale of shares (participatory shares, interests) to foreign investors by way of holding tenders or contests shall be arranged by organs of the State Committee on Property or officials authorized thereby in accordance with the established order.

3.8 Sale of shares (participatory shares, interests) of enterprises to foreign investors by way of holding investment trades shall be arranged by organs of the State Committee on Property or officials authorized thereby in the following order:

3.8.1. The investment trades are conducted for attracting new investments to companies and partnerships. From the declared packet of shares (participatory shares, interests) exposed for sale, with ensuring all investment needs of company or partnership founded by way of reorganisation of the state-owned enterprise, the winning investor shall be provided with an opportunity to enhance the percentage of the packet of shares (participatory shares, interests) up to the controlling ownership by way of increasing the charter capital of company or partnership as the whole investment capital is contributed.

3.8.2. Offers for conducting investment trades shall be submitted to the organs of the State Committee on Property by company or partnership or by appropriate sectoral ministry, department, concern, corporation, unit, association further referred to as initiators of the investment trades.

3.8.3. An initiator of the investment trades shall submit to organs of the State Committee on Property an application in the format specified in Annex No5.

3.8.4. The application shall be supplemented with:

- accounting balance of the enterprise for the last reporting period, endorsed by a tax agency;
- name and full legal address of the enterprise with specification of the telephone and fax numbers;
- full name of the director of the enterprise;
- copy of the registration certificate of the enterprise duly registered as a company or partnership;
- copy of the issue prospectus, copy of the registration certificate of the issue prospectus and copy of the privatization plan;
- information on the following:
 - a) assortment and volume of issued production for the last three years and projection of assortment and volume of production for the next three years;
 - b) volume of the clear profit received in the last three years and volume of expected clear profit for the next three years;
 - c) information on composition and condition of the equipment base of the enterprise;
 - d) existing sales markets for the production (local and foreign) and possibilities of their expansion;
 - e) name and location of rival enterprises;

- f) what the enterprise expects from the investor (equipment, "know-how", financial funds, new sale markets, development of new sorts of production etc.).

All responsibility for authenticity of the submitted information shall be borne by the initiator of the investment trades.

- 3.8.5. Based on the submitted documents the organ of the State Committee on Property jointly with the initiator of the investment trades, within two weeks term from the moment of receipt of the application, shall elaborate conditions of conducting and participation of investors in the investment trades, as well as term of presentation of offers by investors, and the relevant information shall be published in mass media.
- 3.8.6. In the investment trades can participate on equal conditions legal entities and individuals of the Republic of Uzbekistan, foreign legal entities and individuals, as well as stateless persons (further referred to as offerors).
- 3.8.7. For participation in the investment trades offerors shall submit to organs of the State Committee on Property the following documents:
 - application in the format specified in Annex No 6;
 - copy of the registration certificate of the offeror (for individuals – copy of passport);
 - recommendation letter from the bank serving the offeror (shall not be submitted by individuals);
 - information on types, volume and term of investment into the enterprise;
 - price, the offeror agrees to pay for the purchased packet of shares (participatory shares, interests);
 - project feasibility study or a business-plan of the enterprise for the next 5 years.
- 3.8.8. Proposals from offerors shall be submitted to organs of the State Committee on Property within the established term in a sealed envelope.
- 3.8.9. Within a week after expiry of the period of submission of offers organs of the State Committee on Property shall identify the winner of the trades, and a sale-purchase agreement shall be concluded with the winning offeror .
- 3.8.10. The organ of the State Committee on Property, which has identified the winner of the investment trades is entitled to annul its decision on sale of shares (participatory shares, interests) of the enterprise to the investor, within a 6-month term from the moment of execution of the sale-purchase in the following cases:
 - if the winner of the investment trades fails to fulfil terms of acquisition of shares (participatory shares, interests) or of investing into enterprise;
 - if the offeror submits to organs of the State Committee on Property information not corresponding to the facts.
- 3.8.11. A copy of the sale-purchase agreement, concluded between the organ of the State Committee on Property and the winner of the investment

trades shall be sent to the company or partnership, packet of shares of which is sold through the investment trades.

3.8.12. In the event the winner of the investment trades is a foreign legal entity or a foreign individual, a copy of the sale-purchase agreement shall also be sent to appropriate organs of the Ministry of Justice for registration of the enterprise, the shares (participatory shares, interestes) of which are sold through the investment trades, as an enterprise with foreign investments in the prescribed manner.

3.9 Sale of shares (participatory shares, interestes) of enterprises on the securities market through open trades shall be effected in the order and on the conditions specified in the Regulations of conducting trades on the Republican Stock Exchange "Tashkent".

4. The order of sale of state shares (participatory shares, interest) in earlier established enterprises with foreign investments.

4.1 The order regulates the procedure of sale of state shares (participatory shares, interests) in earlier established enterprises with foreign investments.

4.2 Under state shares (participatory shares, interestes) are recognized shares (participatory shares, interestes) in earlier established enterprises with foreign investments, acquired by enterprises with state- ownership and recorded in their accounting balances on the account No 6 "Long term financial investments".

4.3 State shares (participatory shares, interest) in earlier established enterprises with foreign investments can be sold under applications of a company or partnership, organized on the basis of a state enterprise – the holder of shares (participatory shares, interestes), enterprises with foreign investments, or any of their employees, other founders (participants) of enterprises with foreign investments, as well as under initiative of the organs of the State Committee on Property.

4.4 For selling state shares (participatory shares, interestes) of earlier established enterprises with foreign investments under initiative of companies or partnerships founded on the basis of a state-owned enterprise – the holder of shares (participatory shares, interestes), enterprises with foreign investments or their employees, other founders (participants) of enterprises with foreign investments, they shall submit to the organs of State Committee on Property an application in the format specified in Annex No 7.

4.5 For compensation of expenditures relating to reviewing of the documents on sale of state-owned shares (participatory shares, interestes), the applicant shall transfer to the bank account of the organ, to which the application is submitted, special fee (duty) in the prescribed manner.

4.6 The application shall be supplemented with:

- accounting balance of the enterprise with foreign investments for the last reporting period, endorsed by tax agency;
- accounting balance of the state-owned enterprise – the holder of shares (participatory shares, interestes) for the last reporting period, endorsed by tax agency;
- deed of inventory and evaluation of property, executed in the prescribed manner;
- copy of the payment order for the special fee;

- copy of the registration certificate of the enterprise with foreign investments with amendments;
 - copies of foundation documents (the foundation agreement and the charter) of the enterprise with foreign investments;
 - copy of the minutes of the general founders' (participants') assembly of the enterprise with foreign investments;
 - conclusion of an independent auditing (consulting) company on the evaluation materials and the packet of documents;
 - copy of the registration certificate and foundation documents of the applicant (if the applicant is an individual or an employee of the enterprise with foreign investments, the document is not required);
 - for acquisition of state-owned shares (participatory shares, interestes) of earlier established enterprises with foreign investments, by employees of the enterprises, when the latter leads to organisation of new companies or partnerships, a draft of the charter of the organised company or partnership shall also be submitted.
- 4.7 A responsibility for authenticity of the information submitted to organs of the State Committee on Property shall be borne by the applicant.
- 4.8 The application for acquisition of shares (participatory shares, interestes) of enterprises with foreign investments with the charter capital up to the amount equivalent to 1 mln. USD, shall be submitted to regional organs of the State Committee on Property , whereas the application for acquisition of shares (participatory shares, interestes) of enterprises with the charter capital exceeding 1 mln USD shall be submitted to the central apparatus of the State Committee on Property.
- 4.9 The submitted documents shall be reviewed by organs of the State Committee on Property within one month.
- 4.10 For decision-making on selling state-owned shares (participatory shares, interestes) of earlier established enterprises with foreign investments, organs of the State Committee on Property are entitled to:
- invite qualified specialists in appropriate fields for participation thereof as experts at the expense of the founder , which is a state-owned enterprise;
 - conduct auditing of financial activity of the state-owned enterprise, the holder of state shares (participatory shares, interestes).
- 4.11 The organs of the State Committee on Property can reject selling shares (participatory shares, interestes) in earlier established enterprises with foreign investments in the following cases:
- if the information submitted to organs of the State Committee on Property does not correspond to the facts;
 - if the documents are improperly executed;
 - if the field of activity of the enterprise with foreign investments includes an activity, forbidden by the law of the Republic of Uzbekistan;
 - if in relation to the enterprise with foreign investments or the state-owned enterprise, the holder of state shares (participatory shares, interestes) exist resolutions of the Cabinet of Ministers of the Republic of Uzbekistan in any way forbidding or restricting sale of state shares (participatory shares, interestes) of earlier established enterprises with foreign investments.

- 4.12 Sale of state-owned shares (participatory shares, interestes) of earlier established enterprises with foreign investments can be effected in accordance with the resolution of the general founders' (participants') assembly of the enterprise with foreign investments by one of the following means:
- through direct sale;
 - through auctions of both open and closed types;
 - through open trades in the securities market.
- 4.13 At acquisition of state-owned shares (participatory shares, interestes) of earlier established enterprises with foreign investments, employees of the enterprises can found on the basis of the state-owned shares (participatory shares, interestes), a company or partnership on the conditions stipulated in the Law of the Republic of Uzbekistan "On economic entities and partnerships".
- 4.14 Sale of state-owned shares (participatory shares, interestes) of earlier established enterprises with foreign investments shall be effected in the order, stipulated for divestment and privatisation of objects of state property of the Republic of Uzbekistan.
- 4.15 Nominal value of state-owned shares (participatory shares, interestes) of earlier established enterprises with foreign investments shall be estimated in the following way:
- by estimation of percentage of state-owned shares (participatory shares, interestes) to the last registered volume of the charter capital of the enterprise with foreign investments;
 - by defining a financial value of the percentage of state-owned shares (participatory shares, interestes) to the results of inventory and evaluation of property of the enterprise with foreign investments, estimated in accordance with the applicable procedures.

5. Resolution of disputes

- 5.1 All resolutions of regional organs of the State Committee on Property on the issues, specified in the Regulation can be disputed and appealed. Appeals could be submitted to the central apparatus of the State Committee on Property and judicial bodies in the order prescribed by the legislation.
- 5.2 Resolutions of the State Committee on Property on the issues stipulated in the Regulation can be appealed in the Cabinet of Ministers of the Republic of Uzbekistan or judicial bodies in the order established by legislation.