COMPANY LAW
SORAINEN LEGAL UPDATE

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SORAINEN
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Dear Readers,

Sorainen Corporate Advisory Team is proud to present you with our very first specialised Company Law Legal Update. The aim of the update is to inform you of the most important changes in company laws in the Baltics during 2008. The update also contains a number of valuable notes and reminders on company law issues, which, according to our experience, are quite often left without sufficient attention by entrepreneurs and therefore sometimes may lead to negative surprises and sudden difficulties in their everyday business. We hope this material will serve you as a good guide for avoiding such mishaps.

With Sorainen also established in Minsk as of last year, this update includes information on forms of business available in Belarus. As investor interest in this emerging market is growing each month, we believe that many of you will find this information useful.

On behalf of Sorainen Corporate Advisory Team I wish you boundless energy, bright ideas, and optimism throughout this new and highly challenging year.

Yours sincerely,
Eva Berlaus-Gulbe
Partner, Head of Sorainen regional Corporate Advisory Team

ESTONIA

Amendments to Commercial Code

On 4 June 2008 the Estonian Parliament adopted amendments to the Commercial Code, permitting prompt transfers of share capital payments into the account of a company under formation electronically or by notary. The new technical solution enables a bank account to be opened in the name of the company under formation directly through the enterprise portal of the Commercial Register or by notary. Similarly, electronic annual reports can be sent to the registrar through a notary.

On 19 November 2008 the Estonian Parliament adopted acts amending the Commercial Code, the Penal Code and other related acts, thus tightening the formalization requirements applicable to shareholders' meeting minutes, voting record, and shareholders' resolutions, if the latter serves as a basis for election of a management board member. Under the amendments, only a management board member already registered with the Commercial Register or a shareholder jointly with the new management board member may apply to change the composition of the management board with the register. If these individuals cannot sign the application and the signature is given by the new member, then more stringent formalization requirements apply to the minutes of the shareholders' meeting, voting record, and shareholders' resolutions. Another significant amendment involves a new provision in the Penal Code allowing the court to apply business prohibition as a supplementary punishment, i.e. to prohibit a person from operating as an entrepreneur; acting as a member of a management body, a liquidator, or a procurator of a legal person; or involvement in the management of a legal person in any other way for a certain period.

To prevent falsification, the electronic commercial register now offers a new free-of-charge service informing all shareholders and management board and supervisory board members by e-mail of all applications filed with the court's registration department to change their company information. To subscribe to the information service and obtain more information, please see www.rik.ee/e-ariregister/teavitusteenus.

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Estonia
Amendments to Commercial Code
Latvia
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Creditors to gain substantial protection in bankruptcy proceedings
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Commercial legal entities - most common forms
Sorainen
The Financial Times award to Sorainen as the Best Baltic Law Firm
Sorainen recognised as The Best Baltic Law Firm of the Year in the *PLC Which lawyer*? Law Firm Awards 2009

FINANCIAL SERVICES PROVIDERS' OBLIGATION TO REGISTER

Registration with the Register of Economic Activities and renewal of registration

Companies engaging in areas of activity subject to special requirements must register with the Register of Economic Activities (REA). These areas of activity are set forth in legislation. Companies registered with the REA need to renew their registration by 15 April each year. Failure to do so will result in deletion of the company from the register and prohibition from operating in the area of activity.

Under the Money Laundering and Terrorist Financing Prevention Act, all financial service providers not supervised by the Financial Inspectorate were required to register with the REA by 15 June 2008. Areas of activity requiring registration include, e.g., currency exchange, and payment services. In addition to the planned area of activity, financial institutions are required to inform the registrar of their place of business and actual beneficiaries. For the purposes of identifying actual beneficiaries, all beneficiaries must be specified to the registrar, from the owners of the service provider through to any natural persons as beneficiaries.

If a company fails to confirm its registration in due time, its registration will be suspended. If the company further fails to file confirmation within six months from suspension, the company will be deleted from the REA. Failure to register or to confirm registration may result in a fine of up to EEK 50,000 (EUR 3,195).

Approval of financial institution procedure rules

Under the Money Laundering and Terrorist Financing Prevention Act, credit and financial institutions must harmonize their procedure rules pertaining to money laundering and terrorist financing prevention with the respective regulation adopted on 3 April 2008 by the Minister of Finance. The deadline is: at the latest by 1 November 2008.

The procedure rules must include, e.g., more detailed guidelines for applying precautionary, risk assessment, and management measures relating to money laundering and terrorist financing prevention. The procedure rules must also regulate collection and preservation of data, compliance with the notification requirement, notification of management, and the procedure for monitoring compliance with the guidelines. Failure to adopt procedural rules required by law may result in a fine of up to EEK 500,000 (EUR 31,955).

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Loss or profit and payments to shareholders

After the financial year and approval of the annual report by shareholders, a company has several possibilities to pay shareholders, e.g dividends, reduction of share capital.

Distribution of profit must be based on the approved annual report, while dividends can be paid only from net profit or from undistributed profit from previous financial years. In addition, articles of association may also entitle management to make advance payments to shareholders on account of projected profit with the consent of the supervisory board after the end of a financial year and before approval of the annual report. However, advance payments cannot exceed one half of the amount subject to distribution among the shareholders.

Payments can also be made by reduction of the share capital and by distribution of the sums subject for reduction to the shareholders. The company can reduce the amount of share capital to the minimum amount of capital allowed by law (EEK 40,000 (EUR 2,556) for a private limited company and EEK 400,000 (EUR 25,565) for a public limited company).

With regard to the share premium contributed to the company by shareholders, in general this cannot be used for simple share capital reduction but only for the purpose of increasing the share capital or covering losses. Therefore, in order to pay out the share premium, the company must first increase the share capital using the share premium and subsequently reduce the newly formed share capital in the amount that will be distributed to the shareholders. In this way, payments can also be made to shareholders from the share premium in addition to share capital.

As in general a tax obligation is associated with monetary distributions to shareholders, the company should first assess whether it owes unpaid loans to its shareholders. Repaying outstanding loans to shareholders is in general more advantageous from the tax point of view and thus could be preferable to reduction of share capital.

The tax obligation for the company upon paying dividends is 21% income tax. The same goes for distribution of payments that are distributed to the shareholders by way of reduction of the share capital. However, the latter method is advantageous for tax purposes, because payments not exceeding shareholder contributions made previously are not taxable.

The company cannot make payments to shareholders if net assets (equity capital) are less than 50% of the sum of share capital plus reserves. In addition, if net assets are less than 50% of the share capital or the minimum amount allowed by law (see above), the management must call a general meeting, where the shareholders must decide whether to increase or reduce the share capital; dissolve, merge, divide or transform the company; or file a bankruptcy petition. If the company is insolvent and this is not temporary, the management board must file a bankruptcy petition within 20 days. Breach of this obligation may, in addition to civil liability, also involve criminal liability (a fine, or imprisonment up to one year).

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LATVIA

Sequence of the shareholders register

Shareholder status is acquired only on registration with a company's shareholders register.

The management board is responsible for keeping the shareholders register, where all changes in shareholders can be traced back to the company's establishment: e.g., their names, registration numbers/personal codes, addresses, number and nominal value of shares, dates or terms of payment of shares.

The shareholders register must be updated no later than on the next day after the management board receives information about changes in the above information. Under the Law on Groups of Companies, shareholders who as a result of a transaction acquire more than 10% of all shares or whose shareholding interest falls below 10%, must inform the company about these changes. Shareholders who own more than 10% of all shares must notify the company about any changes in their shareholding that amount to 5% of all shares. If the shareholding of one shareholder increases above or falls below 10, 25, 50, 75 or 90% of all shares, the company must forward notice of the shareholder to the Company Register. This applies to both SIA and AS. Private limited liability companies (SIA) must file the updated shareholders register with the Latvian Company Register when changes in it occur.

Necessity of an apostille

In previous years, public documents issued by a public institution in Latvia, such as the Latvian Company Register, were accepted by public institutions in Lithuania without an apostille or additional legalization requirements, on the basis of the treaty on legal assistance between Latvia and Lithuania. However, Lithuania has for some time now been interpreting the treaty more restrictively. As a result, in practice an apostille is not requested only when documents are interchanged between competent justice institutions in civil, family, and criminal cases or other areas directly indicated in international treaties on legal assistance and legal relations (trilateral or bilateral).

Legal protection regime

As of 1 January 2008, under Latvian Insolvency Law, companies which have been operating for at least three years and are facing short term difficulties in covering current or upcoming liabilities, may find a temporary solution under the legal protection regime, provided that their assets exceed liabilities due.

If the legal protection regime is approved by the court, the company is protected for a period of up to one year against bankruptcy, disposal of its property via debt collection, increase of debts arising from contractual penalties, late payment interest and any interest payments exceeding the interest rate stated by law or the refinancing rate of Bank of Latvia. In return, the company has to cover its liabilities due according to a plan drawn up by the company, consented to by 2/3 of unsecured creditors, and approved by the court. The plan can involve postponing payments and covering all debts due proportionally according to the schedule, decrease

or discharge of principal debt, contractual penalty or interest. During the legal protection regime the company must remunerate the administrator who supervises the Company, as well as follow certain limitations, e.g. restriction on disposing of or encumbering real estate, unless specifically provided in the plan, e.g. to pay out dividends.

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Implementation of the cross-border mergers
With rapid changes in the business environment, business restructuring has recently become a topical question for company governing bodies. Although tools for restructuring, such as merger, transformation, division or even liquidation, of a company are already well known, in 2008 cross-border mergers between limited liability companies registered in Latvia and other Member States of the European Union, Iceland, Norway, and Lichtenstein were simplified by implementation of the Cross-Border Merger Directive (2005/56/EC).

Although cross-border merger is considered to be a comparatively long procedure, taking at least six months, its main advantage is that it enables transfer of all rights and obligations of one company to another, whereas the merged company ceases its activity without liquidation. Usually, the acquiring company continues its business after completion of a cross-border merger through a branch in the country of the merged company.

At first sight, the cross-border merger procedure, as implemented in Latvian Commercial Law, might not seem much different from the traditional merger. However, working with your corporate lawyer and tax consultant is strongly advisable for coordination, analysing the provisions of national legislation, and developing a cross-border merger plan. Other issues that must be taken into account when planning a cross-border merger include the method of implementing the merger or framing the merger agreement, or in some business spheres the additional requirement of obtaining a permit for the merger.

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Articles of association of public limited liability companies
Under amendments to the Commercial Law dated 28 April 2008, articles of association of public limited liability companies must indicate their main fields of commercial activity. Companies that do not comply with this new requirement are expected to update their articles of association and file amended versions with the Commercial Register by 31 December 2009. These amendments to articles of association would also be necessary prior to the set deadline if other corporate changes occur that necessitate amendments to articles of association.

These are not the only amendments to the Commercial Law following its adoption on 13 April 2000 and which have an effect on the articles of association of limited liability companies. For example, after 10 April 2006 the mandatory requirement to elect auditors has been restricted only to larger companies. Despite that, the articles of association of a number of smaller companies still oblige them to re-elect auditors annually, although for this type of company doing so would rather be a source of additional costs without expected benefits. In that light, it is advisable to occasionally review and update articles of association in line with the latest legislative developments.

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New Company Register practice
As of 1 October 2008 the Latvian Company Register has started to apply the government Addressing regulations, so that only an address included in the Register of Addresses may be registered as the legal address of a company. If an address is not included in the Register of Addresses, the company has to apply to the State Land Service to include the address in the Register of Addresses.

The new practice of the Company Register in the near future might be applied to companies which already have their legal address registered with the Company Register, by requesting companies to specify their legal address according to the Addressing regulations, if currently registered addresses are not in line with the regulations.

Expiry of term of office of Management and Supervisory Board members
Under the Latvian Commercial Law, the term of office of Management and Supervisory Board members is not longer than three years. After a period of three years, their authorization to act on behalf of the company expires, so that the company has to appoint new or the same members of the Management or Supervisory Board for a new term of office. Please check the term of office of your Management and Supervisory Board members, as failure to do so may result in difficulties operating the company and even blocking of the company's bank accounts.

Filing and approval of annual report
Under amendments to the Latvian Commercial Law, Annual Reports Law, and Law on Consolidated Annual Reports, from 1 July 2008 an annual report need be filed only with the State Revenue Service and no longer with the Latvian Company Register. Annual reports still have to be approved by the general meeting of the shareholders of the company, while the decision approving the annual report must be filed with the State Revenue Service together with the annual report of the company.

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New incentive to retain earnings
Commencing 2009, the law "On Corporate Income Tax" provides an incentive to retain earnings - a deduction in an amount equal to the notional interest (based on Bank of Latvia official rates) that the taxpayer would receive if it had borrowed an amount equal to the profit remaining in equity as undistributed retained earnings.

This incentive relates only to retained earnings, but not to share capital. Thus, a company wishing to increase share capital by issuing new shares with a large share premium, might face a tax risk. This is true if a large share premium together with the nominal value of the share does not correspond to the market value of the share. Under the law "On Corporate Income Tax" such a share premium might be considered to be a donation, which is subject to tax.

Dividends now tax-exempt
Previously, under the tax laws of Latvia, dividend payments to foreign residents were subject to a withholding tax of 10%, while no withholding tax applied to domestic dividend payments. As of 1 January 2009, dividend payments to other European Union or European Economic Area country residents are also tax-exempt.

Moreover, a novelty as of 1 January 2009 is that now Latvian companies paying out dividends to the European Union will also need to obtain a "residence certificate" as was previously the case with tax treaty countries.

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LITHUANIA

Changes in decision-making procedure of management boards
Ignoring disapproval from the Lithuanian government, the Parliament adopted amendments to the Law on Companies. These establish a new decision-making procedure for management boards. The amendments take effect on 1 July 2009. To make a management board decision effective, current legislation requires a simple majority of votes at the meeting of the management board, i.e. the number of votes in favour of a decision must exceed the number of votes against. After 1 July 2009, a decision of the management board will be considered adopted when at least the majority of actually elected members of the management board vote "for" the decision. This rule will multiply with the quorum requirement (2/3 of the management board members listed in the articles of association must participate in the meeting) which will stay in force. The amendments will entail an outbreak of amendments to articles of association of companies, which will have to mirror the provisions of the Law on Companies.

Moderation of obligation to prepare full annual financial statements
With the new wording of the Law on Financial Statements, which took effect on 1 September 2008, the range of companies obligated to prepare full financial statements visibly narrowed. Under the previous version of the law, a company could

dispense with full financial statements when the company under-reached at least two of the following rates during two consecutive financial years:
i) net sales income per financial year – LTL 7 million (~ EUR 2 million),
ii) balance sheet asset value – LTL 5 million (~ EUR 1.4 million),
iii) average number of employees – 10.
Starting from financial year 2008, these figures were replaced by LTL 10 million (~ EUR 2.8 million), LTL 6 million (~ EUR 1.7 million) and 15 employees, respectively. Furthermore, the requirements for mandatory audit of annual financial statements were similarly relaxed, as to rates of net sales income (from LTL 10 million (~ EUR 2.8 million) to LTL 12 million (~ EUR 3.4 million) and balance sheet asset value (from LTL 5 million (~ EUR 1.4 million) to LTL 6 million (~ EUR 1.7 million)).

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Exemptions from obligation to prepare consolidated financial statements to apply
Some exemptions from the requirement to provide consolidated financial statements of parent companies were in force until 2004, when the law was changed and exemptions were repealed. Now, the new wording of the Law on Consolidated Financial Statements as of 1 September 2008 re-introduces some exemptions so that from now on the parent company will not be required to arrange consolidated financial statements when the parent company group does not exceed at least two of the following rates during two consecutive financial years:
i) net sales income per financial year – LTL 30 million (~ EUR 8.6 million),
ii) balance sheet asset value – LTL 18 million, (~ EUR 5.2 million)
iii) average number of employees – 75.

Creditors to gain substantial protection in bankruptcy proceedings
The increase in the number of bankruptcy proceedings has given rise to improvements in the Law on Bankruptcy. On 1 July 2008, amendments to the Law on Bankruptcy took effect. These mostly relate to protection of creditors' interests in bankruptcy proceedings, in particular:

1. Overdue payments of an insolvent company now enable its creditors to immediately file for bankruptcy. Before 1 July 2008, a creditor had to wait for three months after payments became overdue.

2. The personal liability of a company managing director to creditors has been established for late initiation of bankruptcy proceedings. This provision entitles creditors to claim for damage they suffer due to unreasonable delay by the managing director when an early application to the court could have reduced damage.

3. As of 1 January 2009, bankruptcy administrators are subject to compulsory professional civil liability insurance. The insurance aims to protect the interests of persons that suffer damage in bankruptcy proceedings due to illegal acts by the administrator.

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Companies may benefit from facilitated procedure in change of company capital
On 1 July 2008, amendments to the Law on Companies came into effect. In particular, the amendments moderate the procedure for reduction of a company's share capital. Before 1 July 2008, the decision to reduce share capital for the purpose of paying out company funds to shareholders could be adopted only if the company's balance sheet did not reflect long-term liabilities. Such a restriction actually blocked any reduction of share capital if the company was financed by banks or financial leasing companies. Recent amendments moderated the restriction, enabling its omission when all creditors under long-term liabilities of the company so agree.

The amendments also simplify the procedure for making non-cash contributions to company share capital. Contrary to previous requirements, the amendments permit companies not to obtain an expert report where the following assets are contributed as consideration for allotted shares: (i) transferable securities or money market instruments with a certain track record of trading on a regulated market; (ii) assets which have been appropriately valued by an expert not more than six months before the date of contribution; and (iii) assets whose value is derived from the audited financial statements of the previous year.

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Activities of companies to be facilitated
On 25 June 2008 the Parliament was presented with amendments to the Civil Code related to the activities of companies. The amendments, if passed, would relax requirements for companies in a number of respects. The proposed amendments would repeal the requirement that at least one member of the management of a foreign company branch or a representative office must be a Lithuanian resident. Furthermore, it is proposed to repeal the requirement to indicate a company's address and financial year in the articles of association. If passed, this amendment would simplify, and reduce costs for, a change of company address and financial year. Also proposed is repeal of the requirement for a foreign company establishing a branch or a representative office in Lithuania to provide its financial statements to the Register of Legal Persons. This would allow saving on translation costs as well as speeding up registration.

Lithuanian courts provide controversial interpretations on procedure for implementing shareholders' pre-emptive rights in private limited liability companies
In its decision of 9 May 2008, the Supreme Court ruled that a shareholder's notice declaring an intention to sell shares in a private limited liability company, according to which other shareholders may exercise their pre-emptive rights, should not be considered as an offer to conclude an agreement. According to the reasoning of the court, a shareholder is obliged by law to give notice of intention to sell shares and the notice evidently lacks the main feature of an offer – free will. That is why the notice should not be considered as an offer to enter into contractual relations. Despite this, the Court of Appeals in its decision of 4 December 2008 deviated from the position of the Supreme Court and stated that a shareholder's notice declaring an intention to sell shares can be recognised as a binding offer. This ruling of the Court of Appeals resurrects questions apparently resolved by the Supreme Court.

Cross-border merger – only for companies of the same legal form
Although the law allowing cross-border mergers of limited liability companies has been in force from the end of 2007, companies started to apply the law in practice and undergo cross-border mergers only in the second half of 2008. Companies considering a cross-border merger should take into account that under the Lithuanian Civil Code only companies of the same legal form can merge. Thus, if the legal form of companies in other jurisdictions differs from that of a Lithuanian company participating in a cross-border merger, the need might arise to transform either of the companies prior to a cross-border merger. This interpretation of the law was also unofficially approved by the Register of Legal Persons.

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BELARUS

Commercial legal entities: most common forms
A **Joint Stock Company** (JSC) under Belarusian law is a commercial company founded by two or more individuals/legal entities (stockholders). The authorized capital of a JSC is divided into a certain number of shares of equal par value. Shares in an JSC are securities issued by the company; the issue is registered with the state. Furthermore, any issue/cancellation of shares or increase/decrease in their nominal value must be registered with the State Committee on Securities. Transactions with shares are subject to registration with professional operators in the stock market (specialized licensed companies).

Under Belarusian law, a JSC can be of two types:

- Open joint-stock company (OJSC). Its stockholders may sell their shares to an unlimited range of buyers without permission/consent of other stockholders.
- Closed joint-stock company (CJSC). Its stockholders may sell or otherwise dispose of their stocks only with consent of other stockholders or to a limited range of buyers.

Limited Liability Company (LLC) is defined as a commercial company founded by two or more individuals/legal entities (shareholders). Shares in an LLC are not subject to issue. The amount of each share (par value) is determined by the constituent documents of the LLC and is usually equivalent to the amount of shareholder's contributions to the authorized capital of the LLC. Shareholders in a LLC have a priority right to purchase shares of the LLC intended for sale to third persons by other shareholders. If none of the shareholders exercises

this right, the priority right passes to the LLC itself. Only if the LLC refuses or fails to exercise its priority right may shares be sold or otherwise disposed of to third persons. Shareholders in an LLC, in contrast to a JSC, may at any time declare their exit from the LLC and after exit receive part of the property of the LLC.

Added Liability Company (ALC) as a form of legal entity has much in common with the LLC. The main distinctive feature of an ALC is additional secondary liability of shareholders for obligations of the ALC. This additional liability is undertaken jointly by shareholders: the minimal amount is EUR 600.

Unitary Enterprise (UE) is a commercial company established by a single founder. All assets of a UE are considered to be the property of its founder. A UE holds assets only on the right of operating control over the assets. Assets of a UE may not be divided into shares between several shareholders. A UE may be sold or otherwise assigned as a whole asset complex used for conducting business activity. This complex includes assets of different kinds used for business operations, including buildings, equipment, goods, debts, as well as trade marks and other exclusive rights. This complex is considered to be a real property object. In this regard, an asset complex, rights thereto, and transactions therewith are subject to state registration with the National Cadastre Agency.

JSC, LLC, ALC and UE founded by foreign investors may obtain the status of a **commercial organization with foreign investments** ("COFI"). For this purpose, foreign contributions to the authorized capital of a legal entity should amount to at least USD 20,000 (EUR 15,560). COFI may be of two types:

- Foreign COFI (100% of authorized capital is paid by foreign investors).
- Joint COFI (authorized capital is paid jointly by Belarusian and foreign investors).

Management Structure:
Unitary Enterprise
A UE **founder** is considered to be the supreme management body of the UE entitled to decide on any issue of business activity of the UE. The founder appoints and dismisses the director of the UE and defines his powers in the articles of association. The UE director manages UE day-to-day activities.

Companies
General meeting of shareholders/stockholders ("the Meeting") is the supreme managing body of the company. The Meeting conducts annual and extraordinary sessions. The Annual Meeting approves company annual reports, balance sheets, profit and loss accounts, and distribution of company profits and losses, and resolves other issues. Extraordinary Meetings convene to decide on some current issues referred to the competence of the Meeting.

Establishment of a **Supervisory Board** is mandatory only in OJSC, while in other types of company establishment thereof is up to the shareholders. The competence of the Supervisory Board usually covers matters of general management of the company. Specific powers may be granted by the Meeting within the limits of the Board's competence.

The company may be managed by a sole or collective executive body. The **Director/Director General** is the sole executive body (Director), while the **Board of Directors** is the collective executive body of the company (each separately referred to as the "Executive Body"). If both Director and Board of Directors are established in the company, the Director becomes Chair of the Board. The Executive Body of a company is in charge of managing its day-to-day activities, resolving all matters not related to the exclusive competence of the Meeting and the Supervisory Board.

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Type / form of legal entity	Minimum authorized capital	Number of shareholders / founders	Formation of authorized capital
UE	EUR 400	only 1 founder, owner of assets	Authorized capital should be paid in full by the date documents are filed for state registration of the UE.
ALC	EUR 200	minimum 2 maximum 50	Authorized capital should be paid in full by the date documents are filed for state registration of the ALC.
LLC	EUR 800	minimum 2 maximum 50	Shareholders should pay at least 50% of their contributions to the company's authorized capital before the date documents are filed for state registration of the LLC. Authorized capital should be paid in full within 12 months after the date of state registration of the LLC.
CJSC	EUR 1,500	minimum 2 maximum 50	Authorized capital should be paid in full by the date documents are filed for state registration of the CJSC.
OJSC	EUR 6,250	minimum 2 unlimited	Authorized capital should be paid in full by the date documents are filed for state registration of the OJSC.
COFI (except OJSC)	USD 20,000 (EUR 15,560)	depends on the form of the company	Each shareholder should pay at least 50% of its share in the authorized capital within one year of the date of state registration of the COFI. Authorized capital should be completely paid within two years after state registration of the corporation.

NEWS IN SORAINEN

Recent deals

Cross-border merger of If's Baltic companies
We are representing If, a leading property and casualty insurance company in the Nordic region, in a landmark transaction involving the crossborder merger of its Baltic group companies based on the EU cross-border merger directive. This is a groundbreaking transaction because it is the first cross-border merger of regulated financial market participants in the Baltics based on the EU directive, and one of the very first in Europe. We advised on the legal structuring of the project and are currently working on implementing this pan-Baltic transaction. In addition to carrying out a cross-border merger based on the EU directive, the assignment includes extensive pre-merger corporate restructuring (conversion and share transfers of insurance companies and establishing their foreign branches), negotiating with supervisory authorities in all three countries, and managing the legal side of the project. Our team in the project is led by partners Eva Berlaus-Gulbe, Karin Madisson, and Dr Tomas Kontautas.

Acquisition of Seesam Life Insurance
Advising Wiener Stadtische Versicherung Vienna Insurance Group in its acquisition of 100% shares in Seesam Life Insurance SE from Suomi Mutual Life Assurance Company. Completion of the transaction is subject to regulatory approvals. Seesam Life Insurance SE has ten branches in all three Baltic countries and provides services for 45,000 clients with a staff of approximately 200 employees. The Estonian part was advised by partner Toomas Prangli, senior associates Piret Lappert, and Stefano Grace.

Establishing a new commercial bank in Estonia
Advising LHV, a leading pan-Baltic investment firm, in establishing a new Estonian commercial bank. This is the seventh locally registered credit institution in Estonia. We advised the client in all aspects related to applying for an activity license for providing banking services as a credit institution. The case was handled by partners Reimo Hammerberg and Karin Madisson with associates Viljar Kahari and Anne Adamson.

Establishing and licensing a fund management company
Representing Nordea, the leading financial services group, in establishing and licensing a fund management company for providing a wide selection of pension fund management services in Estonia. Advice also included post-registration issues such as fund manager agreement, internal regulations. The case was handled by partners Karin Madisson, Reimo Hammerberg with associates Viljar Kahari and Anne Adamson.

Advising MarkIT in share issue
Tallinn office advised the client, the largest e-purchasing system for IT goods in the Baltic countries, in its share issue to Ambient Sound Investment (ASI), the private equity group established by the four founding engineers of Skype. ASI invested in MarkIT with the purpose of developing its e-purchasing system and expanding to five new CEE markets. The MarkIT system is used in eight countries: Estonia, Finland, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, and Hungary. We helped the client to reorganize their business and organize their shareholder and creditor relationships. The client was advised by partners Karin Madisson, Toomas Prangli, and Kaido Loor.

Moeller Elektrotechnika corporate reorganisation
Advising the client in a corporate reorganisation whereby the Estonian branch of its Czech Republic group company was transferred to its Latvian group company. This was one of the very first branch transfers ever made in Estonia where the branch as a register unit maintained its legal status as a going concern, and no liquidation of the existing branch of the old parent company or establishment of a new branch of the new parent company was made. The transaction was handled by partner Karin Madisson with associate Katrin Altmets.

Complex merger of Bureau Veritas Group companies in Latvia
Assisting Bureau Veritas Latvia, a company in the Bureau Veritas Group, a market leader in provision of inspection, testing, auditing, certification, ship classification and related technical assistance and training services, through a highly complex and lengthy reorganization process when a local company working in the same sphere of business was merged into Bureau Veritas Latvia. Within the merger process we carried out a detailed analysis of issues related to transfer of permits for service provision in the regulated sphere in order to avoid interruption of business. The client was advised by partner Eva Berlaus-Gulbe with associate Zane Paeglite.

Sorainen provides legal advice to Manuli Rubber Industries Group
Riga office advised the global leader in manufacturing steel reinforced hoses and metal fittings, starting from business set-up in Estonia, Latvia, and Lithuania to continuous support in various corporate matters after establishment, including preparation of documents for approval of annual reports and share capital increase documents as well as implementation of share capital increases. We assisted the client in preparation of all corporate documents related to changes in the Management Board of Latvian subsidiaries and also provided legal advice on employment law matters. The case was handled by partner Eva Berlaus-Gulbe with associate Zane Paeglite.

Advising SEB Bank on restructuring
Sorainen Vilnius office advised SEB Bank, the largest commercial bank in Lithuania and a member of leading Northern European financial group SEB, on various aspects of restructuring, in particular on participation of the bank in restructuring proceedings in respect of its clients (debtors). Our advice included training SEB lawyers and managers, advising the client on particular advantages and disadvantages of the restructuring versus bankruptcy. The client was advised by partner Laimonas Skibarka with senior associate Mantas Petkevicius.

Advising Akropolis in reorganising its business structure
Sorainen Vilnius office advised one of the major shopping centre developers in the Lithuanian market in reorganising its business structure, including separation of each shopping centre and other real estate projects into newly established companies. The client was advised by partner Kestutis Adamonis with senior associate Mantas Petkevicius.

Other

Sorainen recognised as The Best Baltic Law Firm of the Year in the PLC Which lawyer? Law Firm Awards 2009
On 23 January 2009, Sorainen received the *Baltic Law Firm of the Year award in the international PLC Which lawyer? Law Firm Awards 2009.* Although these awards have been presented since 2005, this is the first time that a selection has been made for an award to the best law firm in the Baltic countries. The annual *PLC Which lawyer?* Law Firm Awards aim to recognise the best law firms across the world with awards in regional, national, and international categories. Research organizers explain that Sorainen's success was assured on the basis of "good people in all three countries" and for being "well-organised, timely and reasonable".

***The Financial Times* and *Mergemarket* award to Sorainen as the Best Baltic Legal Advisor**
On 10 December in London, Sorainen received the "Baltic Legal Advisor of the Year 2008" award from *The Financial Times* and *Mergermarket.* The annual European M&A Awards aim to recognize leading law firms and financial advisors in the M&A (mergers and acquisitions) field in Europe. This is the first time for *The Financial Times* and *Mergermarket* to select and award the best law firm in the Baltics. The award went to the leading Baltic law firm that advised on the largest number of transactions and for the largest total value in the Baltics. During 2007-2008 Sorainen advised on transactions with a total value of over EUR 3 billion.

Sorainen legal blogging
Sorainen lawyers are blogging in major business media in the Baltics: on *Aripaev, Dienas Bizness, Verslo Zinios, a*nd *Baltic Business News* respectively. You are welcome to visit our blogs and share your views: www.aripaev.ee (in Estonian), www.db.lv(in Latvian) and www.vz.lt (in Lithuanian). Sorainen blogs in English are accessible on www.balticbusinessnews.com. Blog entries are also available for reading at our website www.sorainen.com.