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An overview of the main types of business entity in Lithuania

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Vilnius

The main Lithuanian laws governing corporate activity are the Civil Code of Lithuania, which came into force on July 1 2001, and the Company Law, which came into force in its new amended form on January 1 2004.

Lithuanian law provides for the following main types of business entity: (i) the company (public or private); (ii) the partnership; (iii) the cooperative society; and (iv) the private business.

Companies

The Company Law governs the organization of both public and private companies, their management structures and the rights and obligations of their shareholders.

A public stock company (*akcine bendrove*) is a business with a legal personality whose capital is divided into shares, and whose shareholders' liability is limited to the amount of their contribution to the share capital. Shareholders can be both resident and non-resident legal entities and individuals. Shares of public stock companies can be publicly traded.

There are no requirements relating to a minimum number of shareholders under Lithuanian law. However, a private stock company cannot have not more than 150 shareholders.

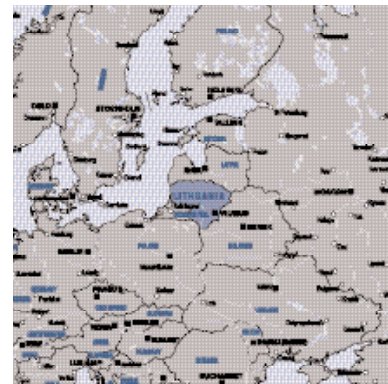
Decisions relating to public stock companies are made by general meetings of shareholders, the management board, the supervisory council and the manager. Various structures of corporate governance are possible depending on type of the company.

The minimum share capital of a public stock company is Lit150,000 (\$53,000). The minimum share capital of a private stock company is Lit10,000. The minimum par value of a share is Lit1.00. The par value of shares must always be denominated in whole numbers.

Under ABI regulations, shares can be certified (*materialios akcijos*) or uncertified (*nematerialios akcijos*). Shares in public-private companies can only be uncertified.

The shares are divided into ordinary and preference shares. Preference shares can constitute no more than one-third of the share capital of the company, may or may not grant voting rights, and can grant to shareholders the rights to a cumulative or non-cumulative dividend.

If its articles of association allow, a company can issue employee shares. Only the employees of the company have the right to acquire such shares; the rights of alienation of such shares to persons other than employees of the company may be limited for three years from the day of subscription for the shares.



Both public and private stock companies can be set up by legal entities and individuals, irrespective of their place of residence. To establish a stock company, an incorporation agreement must first be signed by the founders. All incorporation documents of the stock company must then be notarized – this process certifies that the documents confirm to the law. The law dictates to some extent the certain compulsory requirements regarding the contents of incorporation agreements.

Partnerships

The formation, liquidation and activity of partnerships are governed by the Law on Partnerships. There are two types of partnerships in Lithuania: the general partnership (*tikroji ukine bendrija*) and the limited partnership (*komanditine ukine bendrija*).

Partnerships have legal personality in Lithuania. However, their liability is unlimited.

Partnerships can be established by natural and legal persons by a partnership agreement with the aim of conducting joint business activity under a common name. Partnership agreements must be notarized. A partnership must have at least two, and a maximum of 20, members.

A general partnership consists of two or more general partners who have unlimited liability for the partnership's debts. Individual partners are jointly responsible for the debts of the partnership.

A limited partnership consists of at least one general partner and at least one limited partner. The general partners are jointly liable for the partnership debts with all their property. The limited partners are only liable with their contributions actually made and with any unpaid contributions, which are yet to be made according to the partnership agreement.

There are certain restrictions under Lithuanian laws as to what entities may be general partners of the partnership, although there are no requirements regarding the minimum capital of a partnership.

The basis for the formation and activity of a partnership is the partnership agreement, which have to be in compliance with particular provision of national laws. The partnership agreement must be signed by each partner and notarized. The partnership is considered to be established as of the date of its registration with the company registry.

Cooperative societies

According to the Law on Cooperative Societies, a cooperative society is an enterprise established by at least five natural or legal persons for the purpose of meeting the business, economic and social needs of its members, and functions on the initiative of its members.

For the purposes of establishment, an incorporation agreement must be signed and articles of association (bylaws) must be drafted. The governing bodies of a cooperative society are the general meeting of participants, the board and the manager. Again, incorporation documents must be notarized.

Other types of business

A very popular type of business in Lithuania is the private enterprise (*individuali imone*). A private enterprise has legal personality and can be registered by at least one individual. The owner of the

private enterprise has unlimited liability for the enterprise's debts. There are no capital requirements for this type of business.

There is a specific business form for agricultural purposes, the agricultural company (*zemes ukio bendrove*). An agricultural company can be established by at least two founders; at least 50% of its income must be derived from agriculture activities. A separate law sets out the rules on agricultural companies.

Miscellaneous aspects

As Lithuania has recently become a member state of the EU, its legislation falls under the requirements of EU law. There will therefore soon be room for activities of European interest groups, a fact that is also foreseen in Lithuanian laws.

Banking

Recommended firms

Law Firm Bernotas & Dominas Glimstedt

Lideika Petrauskas Valiunas ir partneriai

Foresta Business Law Group

Jurevicius Balciunas & Partners

Sutkiene Pilkauskas & Partners

Anicas Okincic & Partners

Baublys & Partners

Norcous & Partners

Praemissa Teises Firma

Vilnius 7th Law Firm/Landwell

Zabiela Zabielaite & Partners

Law Firm Bernotas & Dominas Glimstedt

Already one of Lithuania's leading corporate finance firms, Glimstedt's standing has grown even further in the last year after its merger with Jaskutelis Stasiulis & Masiokas – the larger half of leading firm Jaskutelis Sutkiene & Masiokas, which split up a few months before. Kestutis Jaskutelis, Egidijus Bernotas and Gediminas Dominas are all highly recommended for their legal expertise.

Glimstedt has since advised on several key deals, including representing the European Bank for Reconstruction and Development on supermarket chain VP's €100 million (\$119 million) debt financing, one of the biggest deals of the year. It also acted for a syndicate of banks led by Standard Bank on a \$29 million loan to the Mazeikiai Oil refinery. Previous noteworthy roles include a plum role on the acquisition and subsequent refinancing of Lifosa, Lithuania's largest fertilizer company.

Key contact partners

Gediminas Dominas
Remigijus Jakutis
Kestutis Jaskutelis

Leading lawyers

Egidijus Bernotas
Gediminas Dominas
Kestutis Jaskutelis

Lideika Petrauskas Valiunas ir partneriai

Lideika and Glimstedt are Lithuania's two leading finance practices. And of these, Lideika comes in for great praise from its clients. One banking client says it "continues to rate Lideika highly," while another of three years' standing refers to the firm as "the best-rated Lithuanian law firm in financial and corporate law" and says it has always been "very satisfied with the firm's timely and professional performance".

Both Giedrius Stasevicius and name partner Rolandas Valiunas are considered to be leading banking lawyers. Over the last year these two partners have been involved with a €50 million (\$59 million) loan to the Republic of Lithuania, advising the arranger Bank Austria Creditanstalt, and have acted for the Bank of Scotland on €40 million in mezzanine and senior credit agreements. Previous deals for the team include secured loans to Hotel Lietuva, advising the International Finance Corporation, and representing Landesbank Schleswig-Holstein Girozentrale on the recovery of a secured loan and restructuring a third party's debt. Other clients include ABB Export Bank and Skandinaviska Enskilda Banken.

Key contact partner

Giedrius Stasevicius

Leading lawyers

Giedrius Stasevicius
Rolandas Valiunas

Foresta Business Law Group

Despite the departure of leading lawyer Remigijus Jakutis to Glimstedt, Foresta has maintained its strong reputation for banking work and picked up a lot of impressive work over the last year. It worked on the privatization of alcohol manufacturer Vilniaus Degtine, the selling of the government's stake in power distribution company Vakaru Skirstomieji Tinklai and the privatization of construction companies Elektros Tinklu Statyba and Siauliu Energetikos Statyba. It was also involved with the acquisition of dairy group Rokiskio Suris in December 2003, representing investment company Hermis Fondus Valdymas.

The firm's reputation has also benefited from the performance of up-and-coming partner Sigitas Groblys, who is recommended by his peers as a rising star in the market.

Key contact partners

Tomas Saulenas
Sigitas Groblys

Jurevicius Balciunas & Partners

Raimundas Jurevicius is one of Lithuania's leading finance lawyers. His reputation and that of the banking team under him are the reason the firm moves up to the second tier in this year's edition of the *IFLR1000*. Contemporaries are quick to praise him, highlighting his "technical skills and general expertise".

The team's work over the last year has included advising Vilnius' public transport company on its financial restructuring, acting for a large Scandinavian media group on its interests in Lithuania and advising the Otto Bock Group on its corporate restructuring.

Partner Gytis Kaminkas and associate Justas Ivanauskas were hired in the last year, increasing Jurevicius' team to three partners and five associates.

The firm is a member of the EY Law alliance.

Key contact partners

Lina Mikaloniene
Gediminas Lisauskas

Leading lawyer

Raimundas Jurevicius

Sutkiene Pilkauskas & Partners

Jaskutelis Sutkiene & Masiokas was one of Lithuania's leading financial law firms until it split up in 2003. One half merged with Glimstedt, and the other set up independently as Sutkiene Pilkauskas & Partners. The firm includes partners and associates who were involved in the original firm's most significant deals, such as the privatization of Lithuania's electricity network, utilities sectors, the stock exchange and LNK television channel.

More recently it worked on the acquisition of one of Lithuania's biggest distilleries, the financing of the country's biggest greenfield development, for a polymer-producing factory, and the acquisition financing needed for the takeover of Finnish company Fin Vass and its Baltic subsidiaries.

The firm has also won plaudits from the legal community, which highlights its "strong lending expertise" and long client list, which includes the World Bank and International Finance Corporation.

Key contact partners

Jonas Pilkauskas
Eugenija Sutkiene

Capital markets

Recommended firms

Law Firm Bernotas & Dominas Glimstedt

Lideika Petrauskas Valiunas ir partneriai

Jurevicius Balciunas & Partners

Regija Law Firm

Sorainen Law Offices

Advocato Savinijaus Katausko Biuras

Baublys & Partners

Foresta Business Law Group

Hough Gabartas Sarzickas ir partneriai

Law Offices of Tadas Klimas

Praemissa Teises Firma

Zabiela Zabielaite & Partners

Law Firm Bernotas & Dominas Glimstedt

“The biggest and the best” capital markets practice in Lithuania according to one competitor, Glimstedt has a strong reputation for debt and equity transactions and a deal-led approach to work. It has also benefited from the arrival of Remigijus Jakutis from Foresta Business Law Group and of three new associates: Dainius Stasiulis, Andrius Andrikonis and Paulius Markovas.

Although Lithuania’s capital markets are relatively small, Glimstedt has worked on several of its biggest deals, including the European Bank for Reconstruction and Development’s equity and financial investments in the Lithuanian textile, food processing and IT sectors.

Key contact partners

Egidijus Bernotas
Gediminas Dominas
Remigijus Jakutis

Leading lawyers

Gediminas Dominas
Remigijus Jakutis
Kestutis Jaskutelis

Lideika Petrauskas Valiunas ir partneriai

Lideika’s reputation for finance work in Lithuania wins it much capital markets work from the banks it represents. These include Dresdner Kleinwort Wasserstein, BNP Paribas, JP Morgan Chase and UBS Warburg. It also advises the Lithuanian government and several national companies on capital markets matters and was involved with the state’s €400

million (\$451 million) note issue in 2003 as well as an issue of \$75 million in new shares for Lithuania’s largest oil refining company. Recently it worked on a eurobond issue for Norddeutsche Landesbank, advising Bankgesellschaft.

Giedrius Stasevicius and Gediminas Reciuinas are both considered leading capital markets lawyers, with experience working on both debt and equity deals in the country.

Key contact partners

Giedrius Stasevicius

Leading lawyers

Gediminas Reciuinas
Giedrius Stasevicius

Jurevicius Balciunas & Partners

With a strong reputation for debt and equity work in Lithuania, Jurevicius has been involved in many of the country’s largest or most significant capital markets matters. It is regular advisor to the board of the Lithuanian stock exchange, advised the government on drafting its new corporate governance code, worked on the listing of bicycle manufacturer Baltic Vairas and advised the Baltic Real Estate Property Trust on its mortgage-backed bond issue.

Alongside the skill of leading lawyer Raimundas Jurevicius the firm also has several talented up-and-coming lawyers. Of these Tomas Kairys is regularly the object of his peers’ recommendations.

The firm is a member of EY Law alliance.

Key contact partners

Tomas Kairys
Iraida Zogaite

Leading lawyer

Raimundas Jurevicius

Sorainen Law Offices

Sorainen’s pan-Baltic spread has brought in a number of top clients for capital markets work, including Citibank and the Hagemeyer Group. Its reputation for quality doesn’t do the firm any harm either, bolstered as it is by highly recommended lawyer Kestutis Adamonis. He was involved with the firm’s drafting of a standard finance contract for eastern and central Europe, a job designated to Sorainen by the EU. Among the variety of joint-venture arrangements, refinancings and capital investments the firm has worked on over the last year, it advised Hagemeyer on a large debt and equity refinancing project during the second half of 2003.

Key contact partner

Kestutis Adamonis

Leading lawyer

Kestutis Adamonis

Mergers and acquisitions

Recommended firms

Law Firm Bernotas & Dominas Glimstedt

Lideika Petrauskas Valiunas ir partneriai

Jurevicius Balciunas & Partners

Regija Law Firm

Sorainen Law Offices

Foresta Business Law Group

Zabiela Zabielaite & Partners

Advocato Savinijaus Katausko Biuras

Baublys & Partners

Hough Gabartas Sarzickas ir partneriai

Law Firm Pukas & Partners

Law Offices of Tadas Klimas

Praemissa Teises Firma

Law Firm Bernotas & Dominas Glimstedt

Lithuanian lawyers once regularly listed the top three mergers and acquisitions law firms in the country as Lideika Petrauskas Valiunas, Bernotas & Dominas Glimstedt and Jaskutelis Sutkiene & Masiokas. The merger between one half of the latter firm and Glimstedt, has given Bernotas and Dominas even greater strength in the domestic corporate market.

Kestutis Jaskutelis has the experience of working at a firm that was deeply involved with the privatization process in Lithuania, and that for a long time was the top law firm for aggressive takeover work. For this reason he fully deserves his place as one of Glimstedt's leading lawyers. The others are Gediminas Dominas, who is recommended by his peers in almost every area of corporate finance work, and Elijns Burgis, who is named as a rising star.

In the last year the firm has advised the government of Lithuania on the privatization of a 34% stake in Lietuvos, the national gas transportation and distribution company, to Russian oil company Gazprom. It also advised MG Baltic on the privatization of Lithuania's largest distillery.

Key contact partners

Egidijus Bernotas
Gediminas Dominas
Kestutis Jaskutelis

Leading lawyers

Egidijus Bernotas
Gediminas Dominas
Fredric Forsman
Kestutis Jaskutelis

Lideika Petrauskas Valiunas ir partneriai

"Exceptionally strong" in mergers and acquisitions, Lideika has a large M&A department, headed by Zilvinas Zinkevicius and including leading lawyers Rolandas Valiunas, Giedrius Stasevicius and Jaunius Gumbis.

The firm represented Williams International on the acquisition by Yukos Oil of a 26.85% stake in Mazeiku Nafta, Lithuania's largest domestic oil refining company, in a deal worth \$160 million. It also advised the government on the privatization of the alcohol industry in Lithuania.

More recently it was involved with the stock exchange's merger with Finnish stock company Hex, acted for Scandinavian telecommunications company TeliaSonera on its purchase of a 35% stake in UAB Omnitel and acted for Lithuanian airlines on the sale of three of its subsidiaries – a regional airline, a catering company and a tour operator.

Key contact partner

Zilvinas Zinkevicius

Leading lawyers

Jaunius Gumbis
Giedrius Stasevicius
Rolandas Valiunas
Zilvinas Zinkevicius

Jurevicius Balciunas & Partners

Jurevicius has worked on several stand-out corporate deals in the last couple of years, and in the opinions of its peers deserves to move up into the second tier on the back of that high-level work. This work includes representing Kaunas, which it helped to privatize, and advising last year on its sale of the Kaunas Power Plant for €34 million (\$40.4 million), advising one of Lithuania's largest investment funds on the privatization of the country's three largest alcohol producers (Stumbras, Vilniaus Degtine and Alita), and Rimi Lietuva on its real estate deals in Lithuania. The firm is also working on the merger of two large retail operators at the time of going to press, though the details are as yet confidential.

The firm has three partners and five associates working on mergers and acquisitions Raimundas Jurevicius heads the department.

The firm is a member of the EY Law alliance.

Key contact partners

Gediminas Lisauskas
Lina Mikaloniene

Regija Law Firm

Regija is a well-respected, solid middle-tier Lithuanian firm, with a particular speciality in mergers and acquisitions work. It has represented Yukos Oil, Telia Sonera and Compaq on a variety of deals, including Yukos' purchase and sale of shares and on investment and equity matters resulting from its sale of Mazeikiu Nafta. Regija represented Yukos on the deal, which was worth \$160 million.

In the middle of last year Regija acted for YIT Corporation on Lithuanian competition law matters surrounding its acquisition of ABB Building Systems.

The firm comprises partners Dalia Foigt, Ausra Mudenaite and Tomas Rymeikis, supported by six associates.

Key contact partners

Dalia Foigt
Ausra Mudenaite
Tomas Rymeikis

Project finance

Recommended firms

Law Firm Bernotas & Dominas Glimstedt

Lideika Petrauskas Valiunas ir partneriai

Foresta Business Law Group

Jurevicius Balciunas & Partners

Sorainen Law Offices

Baublys & Partners

Regija Law Firm

Zabiela Zabielaite & Partners

Law Firm Bernotas & Dominas Glimstedt

In last year's edition of the *IFLR1000* we concluded that it was too soon after Glimstedt's merger with Jaskutelis Stasiulis & Masiokas to tell whether its project finance practice had benefited from the merger. One year on, it is clear that the merger has been a success and that the enlarged firm has comfortably gained its stride.

This is demonstrated by the two most important project finance deals the firm was involved with last year, acting for the European Bank for Reconstruction and Development on its loan to supermarket chain VP Market and advising a bank syndicate led by Standard Bank on a loan to the Mazeikiu Oil Refinery. As project finance in Lithuania is largely an extension of banking and general finance work, Glimstedt's department is headed by banking partner Gediminas Dominas.

Key contact partner

Gediminas Dominas

Lideika Petrauskas Valiunas ir partneriai

One of the top firms, if not the top firm for project finance work in Lithuania, Lideika has several leading lawyers working in its finance department, including Giedrius Stasevicius and leasing specialist Tomas Milasauskas, who clients say they "would highly recommend" for top-class project finance work.

The firm's clients include the European Bank for Reconstruction and Development, which it advised last year on a project financing for Vilnius' local government, the International Finance Corporation and UAB Hanza Lizingas, the largest leasing company in the Baltics.

Lideika also advised the Ignalina Nuclear Power Plant on its financing and decommissioning, and helped the government to draft its concessions legislation. At the time of writing it is also working on two large but confidential transport financing deals.

Key contact partner

Giedrius Stasevicius

Leading lawyers

Tomas Milasauskas
Giedrius Stasevicius