

Law of Ukraine**ON MORTGAGES****Chapter I. GENERAL PROVISIONS****Article 1. Definition of Terms**

For purposes of this Law, the terms used hereinafter shall have the following meanings:

“Real property (real estate)” shall mean land plots, as well as objects located thereon and inseparably attached thereto, which may not be relocated without its depreciation and change of its designated use. Real property status shall extend to aircraft and seagoing craft, inland vessels, and space vehicles;

“Land parcel” shall mean a land plot in the meaning as set forth in the Land Code of Ukraine, except for agricultural land plots;

“Mortgage” shall mean a type of securing performance of an obligation with land or real estate which remains in the possession of a mortgagor, whereby in the event of the debtor’s failure to perform the principal obligation secured by the mortgage the mortgagee shall be entitled to satisfy its claims at the cost of mortgaged property having priority over other creditors of such debtor, unless otherwise provided by this Law;

“Principal obligation” shall mean obligations under loan and credit agreements, sale and purchase agreements, lease contracts, and other obligations arising on other grounds, the performance of which is secured by mortgages;

“Subsequent mortgage” shall mean a mortgage of real property, which is already the subject matter of the mortgage under a preceding mortgage agreement;

“Mortgagor” shall mean a person who mortgages real property in order to secure performance of its own obligations or obligations of another person before a mortgagee;

“Property guarantor” shall a mortgagor, who mortgages real property in order to secure performance of another person’s obligations before a mortgagee;

“Mortgagee” shall mean a creditor under a principal obligation, the performance of which is secured by a mortgage;

“Debtor” shall mean a mortgagor or some other person who is liable before a mortgagee for performance of a principal obligation;

“Unfinished building” shall mean a building (structure) whose construction is not finished, together with all property rights thereto;

“Building (structure)” shall mean an item of real estate located on a land plot.

Article 2. Law on Mortgages

Issues and matters arising out of or in connection with mortgages shall be governed by the Civil Code of Ukraine, this Law, other acts of Ukrainian legislation to the extent that such are consistent with this Law, as well as international treaties and agreements of Ukraine, consent to which binding force has been granted by the Supreme Rada of Ukraine.

Article 3. Arising and Application of Mortgages

Mortgages shall arise out on a contractual basis, pursuant to law or court decisions. Unless otherwise provided by law, rules on mortgages arising on a contractual basis shall apply to mortgages that arise on the basis of law or a court decision. A mortgage shall be subject to state registration pursuant to procedures provided by law.

Mutual rights and obligations of a mortgagor and a mortgagee under a mortgage agreement shall arise as of the date of notarization of such agreement. In the event of a mortgage arising on the basis of law or a court decision, mutual obligations and obligations of the mortgagor and the mortgagee shall arise as of the date of state registration of the mortgage.

A mortgage may secure performance of any actual obligation or satisfaction of a claim, which claim may arise in the future, but is provided in an agreement that has entered into force.

A mortgage shall be of a derivative nature with respect to the principal obligation whose performance is secured by such mortgage. The mortgage shall be effective as long as the principal obligation is effective.

A mortgage shall grant a mortgagee a right to satisfy claims secured by such mortgage at the expense of mortgaged property having priority over a mortgagor's other creditors, whose claims have not been registered pursuant to procedures provided by law, including in the course of bankruptcy proceedings against the mortgagor.

Priority of the mortgagee's right to have claims secured by a mortgage satisfied at the expense of mortgaged property over the rights and claims of the mortgagor's other creditors to the mortgaged property, which rights and claims have been registered pursuant to procedures provided by law, shall arise as of the date of state registration of the mortgage.

Article 4. Mortgaged Property

Property that may be mortgaged may include one or several items of real property subject to the following conditions:

real property is owned on the basis of an ownership right or a right of full commercial management if a state-owned enterprise, institution or organization is a mortgagor;

real property may be disposed of by a mortgagor and may be attached in accordance with law;

real property is registered pursuant to procedures provided by law as a separate item that is covered by an ownership right and is singled out on site, unless otherwise provided by this Law.

Property that may be mortgaged may also include an unfinished building or other real property, which will be owned by a mortgagor after entering into a mortgage agreement, provided that the mortgagor may provide documentary evidence that it shall have acquired the right of ownership to the said real property in the future. An encumbrance on such real property as a result of a mortgage shall be subject to state registration under procedures provided by law, irrespective of who is the owner of such property as of the date of execution of the mortgage agreement.

A part of real property may be mortgaged only after such part has been singled out on site and rights thereto as a separate item of real estate have been registered. The mortgage shall extend to that part of real property that is appended to the mortgaged property upon execution of a mortgage agreement without registration of the right of ownership to such part as a separate item of real estate, unless otherwise provided in the mortgage agreement.

Real property shall be mortgaged together with all its accessories, unless otherwise provided in a mortgage agreement.

The risk of accidental destruction, accidental damage of or harm to mortgaged property shall be borne by a mortgagor, unless otherwise provided in a mortgage agreement.

The estimated value of mortgaged property shall be determined by agreement between a mortgagor and a mortgagee on the basis of usual prices existing at the date of execution of a mortgage agreement. Laws or regulatory acts of the National Bank of Ukraine may provide for requirements for professional evaluation of mortgaged properties in certain cases.

Article 5. Terms of Mortgaging

In the event that it is required to receive a consent or authorization from another person (including an agency of executive power or a local self-government authority) to alienate real property, the same consent or authorization shall be required for mortgaging thereof.

Property held in joint ownership may be mortgaged only if there is a notarially certified consent by all co-owners. A co-owner of real property shall be entitled to mortgage its part of jointly owned property without the consent of the other co-owners, provided that such property is singled out on site and the right of ownership to such part as a separate item of real estate has been registered.

Prior to entering into a mortgage agreement the mortgagor shall be obligated to notify the mortgagee of all third party rights and claims known to the mortgagor with respect to the mortgaged property, including those that have not been registered pursuant to the procedures provided by law. The mortgagee shall be entitled to demand from the mortgagor to reimburse for losses caused by the breach of this obligation.

In the event that a building (structure) is mortgaged, the land plot, on which such building (structure) is located, shall be mortgaged together therewith. If such land plot is owned by some other person and has been transferred to the mortgagor under a leasing arrangement (into use), the subject matter of the mortgage agreement may also be the pledge of a right of lease (use) of such land plot. In such case, an attachment upon the right of lease (use) of the land plot shall be levied under the same procedures as are applicable to levying of attachment upon mortgaged property.

In the event that a land plot is mortgaged, buildings (structures) located thereon which are held by the mortgagor on the basis of the ownership right shall be mortgaged together therewith, unless otherwise provided in a mortgage agreement. The mortgage shall extend onto buildings (structures) built by the mortgagor on the mortgaged land plot, unless otherwise provided in the mortgage agreement.

If, pursuant to the terms and conditions of a mortgage agreement, a land plot is mortgaged without buildings (structures) located thereon which are owned by the mortgagor, following the levy of an attachment upon mortgaged property, the mortgagor shall acquire the right to use that portion of the land plot, which is necessary for exploitation of such buildings (structures) pursuant to their designated purpose. Conditions for using such part of the land plot may be defined in the mortgage agreement or (in case applicable conditions are missing in the mortgage agreement) by consent of the new owner of the land plot and, in the event of failure to reach such consent, – by the court.

Following the levy of attachment upon a mortgaged land plot on which buildings (structures) are located that are owned by a person other than the mortgagor, the new owner of this land plot shall be obligated to procure for the owner of the said buildings (structures) the same conditions for using the land plot as were procured by the mortgagor.

In the event that a residential building or residential premises are mortgaged, the mortgagor shall be obligated, prior to execution of a mortgage agreement, to provide to the mortgagee a notarized consent of every resident, who permanently or temporarily resides in the said residential building or residential premises, whereby such resident agrees to voluntary eviction in case of levy of an attachment upon the mortgaged property. If under-age children reside in a residential building or residential premises that are mortgaged, consent to their eviction shall be granted by local authorities responsible for custody and protection of rights of minors. Upon execution of a mortgage agreement any persons may move into in a residential building or residential premises upon their issuance and provision of consent to eviction to the mortgagee.

Article 6. Claims secured by Mortgages

A mortgagor shall be entitled to satisfy its claim under a principal obligation at the expense of mortgaged property in full or in part as provided by a mortgage agreement, which claim is determined as of the moment of actual satisfaction of the obligation, including payment of interest, liquidated damages, a principal debt amount and any increase in such amount that has been expressly contemplated by the terms and conditions of the agreement giving rise to the principal obligation.

Unless otherwise provided in a mortgage agreement, the mortgage shall also secure claims of the mortgagee regarding compensation for:

- losses sustained as a result of presentation of a claim under the principal obligation and levy of an attachment upon mortgaged property;

- expenses incurred by the mortgagee relating to maintenance and preservation of mortgaged property;

expenses relating to insurance of mortgaged property;
 losses resulting from the breach of the principal obligation or terms and conditions of the mortgage agreement.

Article 7. Insurance of Mortgaged Property

A mortgagor shall be obligated to insure mortgaged property for its full estimated value against risks of accidental destruction, accidental damage or harm, unless the mortgagee bears such an obligation under the mortgage agreement. In the event of a subsequent mortgage, no insurance for the mortgaged property shall be required. An insurance agreement shall be entered into for the benefit of the mortgagee, who will acquire a right of claim against the insurer in case an insured event has occurred. The right of claim against the insurer shall also transfer to a new mortgagee in the event of transfer of rights under the mortgage agreement.

In case an insured has occurred with respect to mortgaged property, the mortgagee shall have a preemptive right to satisfy its claims under the principal obligation at the expense of an insurance indemnity amount. Upon satisfaction of the claim of the first mortgagee at the expense of the insurance indemnity, any amounts of the insurance indemnity exceeding the amount of the first mortgagee's claim shall be allocated to subsequent mortgagees on the basis of priority and amounts of their claims and, lastly, to the mortgagor.

On the basis of an agreement between the mortgagor and the mortgagee, an insurance indemnity may be directed to restore the mortgaged property.

Unless otherwise provided in a mortgage agreement, the mortgagor shall be obligated to provide to the mortgagee one original copy of an insurance agreement within ten business days following the execution of the mortgage agreement.

Article 8. Possession, Enjoyment and Disposal of Mortgaged Property

A mortgagor shall have the right to possess and enjoy mortgaged property pursuant to its designated purpose, unless otherwise provided by this Law. In the course of use of mortgaged property, the mortgagor must prevent deterioration of the condition of the mortgaged property and depreciation of its value in excess of norms of its normal depreciation (wear and tear).

The mortgagor shall have the right to receive fruit, products and income from mortgaged property, unless otherwise provided in a mortgage agreement.

The mortgagor shall have the right, exclusively on the basis of consent from the mortgagee that is contained in the mortgage agreement or amendments thereto:

- to erect, demolish or perform capital repairs of a building (structure) that is located on a land plot mortgaged, or to make essential improvements to such land plot;
- to transfer the mortgaged property into a subsequent mortgage;
- dispose of the mortgaged property, with a simultaneous assignment of obligations under the mortgage agreement to a new owner;
- to transfer the mortgaged property for joint activity purposes or into leasing (use).

A mortgagor shall have the right to bequeath mortgaged real property. A legal agreement that restricts the right of the mortgagor to bequeath the mortgaged real property shall be null and void.

Article 9. Preservation of Mortgaged Property

Unless otherwise provided by law or in a mortgage agreement, the mortgagor shall be obligated to undertake at its cost all necessary actions to duly preserve mortgaged property, including timely effectuation of current repairs, removal of insignificant damage, rational exploitation and protection of the mortgaged property against illegal encroachments and claims of third parties.

The mortgagor must provide timely notice to the mortgagee of any threat of destruction and damage of and harm to or deterioration of the condition of mortgaged property, as well as of any circumstances that may adversely affect the mortgagor's right of ownership to the mortgaged property or the mortgagee's rights under the mortgage agreement.

At any time during the term of the mortgage agreement the mortgagee shall have a right to carry out documentary and on-site inspections of availability, status, storage and use conditions of the

mortgaged property. The mortgagor shall be obligated not to hinder the exercise of this right by the mortgagee, furnish to the latter all documents necessary for inspection of availability, status, storage and use conditions of the mortgaged property, as well as to immediately ensure, at the request of the mortgagee, physical access for the mortgagee to the mortgaged property. The conduct by the mortgagee of the said inspection must not interrupt the use of the mortgaged property pursuant to its designated purpose or otherwise adversely affect the activity of the mortgagor or any other person, into whose temporary use the mortgaged property has been provided.

Article 10. Property Guarantor

A property guarantor shall act as a mortgagor, and shall be liable for performance by a debtor of the principal obligation within the value of mortgaged property.

In the event of satisfaction of the mortgagee's claims at the expense of mortgaged property, all creditor's rights under the principal obligation shall transfer to the property guarantor.

Article 11. Legal Consequences of a Mortgagor's failure

to perform Obligations

In the event that a mortgagor breaches terms and conditions of a mortgage agreement, a mortgagee shall have a right to demand pre-term performance of the principal obligation and, in case of failure to perform same, to levy an attachment upon mortgaged property.

In the event that the mortgagor violates obligations to preserve or insure mortgaged property, the mortgagee may draw on rights under Part 1 of this Article or undertake measures aimed to preserve or insure the mortgaged property in its own interests and on its own account. At the request of the mortgagee, the mortgagor shall be obligated to immediately reimburse the mortgagee for all losses sustained in connection with the undertaking of measures to preserve and insure the mortgaged property.

A legal agreement whereby a mortgagor disposes of property that has been pledged or transfers such property into a subsequent mortgage, leasing (use) or for joint activity purposes without consent of the mortgagee shall be invalid.

Article 12. Subsequent Mortgages

Mortgaged property may be transferred into a subsequent mortgage on the basis of consent from the preceding mortgagees, unless otherwise provided in the earlier mortgage agreement. The preceding mortgage shall have priority over subsequent mortgages. The subsequent mortgage encompassing several properties that are owned by different persons shall be permitted on the basis of consent from the owners of all real property items transferred into a joint mortgage.

If real property is pledged under several mortgages, the mortgagee, who levies an attachment upon mortgaged property, shall be obligated to provide written notice to all other mortgagees of its intent to levy an attachment upon mortgaged property.

In the event that an attachment is levied upon mortgaged property by a subsequent mortgagee, the preceding mortgagee shall also have a right to levy an attachment upon mortgaged property, even if the performance of the principal obligation before the preceding mortgagee has not become due. If the preceding mortgagee has not drawn upon this right, the preceding mortgage shall be effective until full satisfaction of the claim of the preceding mortgagee under the principal obligation, and the right of ownership to mortgaged property shall transfer to a new owner together with the encumbrance of this property by the preceding mortgage.

By providing a written statement, the preceding mortgagee shall have a right to terminate levying an attachment upon mortgaged property initiated by a subsequent mortgagee, if such attachment will result in the partial satisfaction of the preceding mortgagee's claims. In such case, claims of the subsequent mortgagee shall be satisfied upon levy of the attachment upon mortgaged property by the preceding mortgagee, and upon full satisfaction of its claims.

In the event of levy of an attachment upon mortgaged property by the preceding mortgagee, the subsequent mortgagee shall also have a right to levy an attachment upon mortgaged property, even if the performance of the principal obligation before the subsequent mortgagee has not yet become due.

In the event of levy of an attachment upon real property, which is the subject matter of several mortgages, claims of every subsequent mortgagee shall be satisfied upon full satisfaction of the claims of very preceding mortgagee pursuant to the registered priority and amounts of such claims.

Article 13. Specific features of Mortgaging of State-Owned Property

Real property, which is in state ownership and has been transferred to a state-owned enterprise, institution or organization on the basis of a right of full commercial management, may be mortgaged. Mortgages of such property shall be entered into on condition that an applicable state-owned enterprise, institution or organization has obtained consent from the government agency within whose economic management competence the applicable state-owned enterprise, institution or organization falls, if a requirement for obtaining such consent is provided by law.

It shall be prohibited to mortgage state-owned property that may not be privatized.

National, cultural and historic values, which are in state ownership and are recorded or subject to recordation in the National Registry of Cultural Heritage, may not be mortgaged.

Article 14. Specific Features of Mortgaging of Land Plots

This Law shall not apply to mortgages of agricultural land plots. It shall be permissible to mortgage agricultural land plots following the entry into force of a law that will govern the establishment and operation of a Single Land Cadastre, but not earlier than 1 January 2005. Specific features of mortgaging of agricultural land plots shall be set forth in a separate law.

This Law shall not apply to land plots in communal and state ownership until decisions on their privatization have been adopted.

Unless otherwise provided by law, in the event that a land plot without buildings (structures) located thereon is mortgaged, only a bank, which complies with the requirements as are laid down in the Law of Ukraine “On Banks and Banking Activity” and regulatory acts and rules of the National Bank of Ukraine, may be a mortgagee.

Article 15. Specific Features of Mortgaging of Unfinished Buildings

In the event of mortgaging of unfinished buildings, a person, who will become the owner of a concerned building (structure) upon completion of construction thereof and registration of the ownership right thereto, may be a mortgagor. A real-estate developer may be a mortgagor in the event that construction of residential buildings or office premises is financed for purposes of selling same to third parties.

An encumbrance of an unfinished building by a mortgage shall be subject to registration pursuant to the procedures provided by law.

Upon completion of construction, a building (structure) shall continue to be subject to a mortgage in accordance with terms and conditions of the mortgage agreement. No execution of a new mortgage agreement shall be required. Upon registration of ownership rights to a building (structure), encumbrances thereof through a mortgage shall be registered pursuant to the procedures provided by law.

In the event that an unfinished building is mortgaged by a real-estate developer and an attachment is levied upon the completed building (structure), the mortgage shall not extend onto that part of the building (structure) that has been acquired by any person (buyer) on the basis of a civil-law agreement by virtue of full payment of its value prior to adoption of the decision to levy the attachment,

unless the mortgagor and the buyer have agreed otherwise. Upon levy of the attachment, the real-estate developer's rights and obligations before third party buyers shall transfer to the new owner of the completed building (structure) or unfinished building.

Article 16. Grounds for Termination of a Mortgage

A mortgage shall terminate in the event of:

termination of a principal obligation;
 sale of mortgaged property pursuant to this Law;
 transfer to a mortgagee of the right of ownership to mortgaged property;
 invalidation of a mortgage agreement;
 destruction (loss) of mortgaged property, unless the mortgagor has restored it;
 on other grounds as are provided by this Law.

Subsequent mortgages shall terminate as a result of levying an attachment under a preceding mortgage.

Chapter II. FORMALIZATION OF MORTGAGES

Article 17. Mortgage Agreement

A mortgage agreement shall be entered into by and among one mortgagor or several mortgagors and a mortgagee in writing and must be notarized. The mortgage agreement must contain the following essential conditions:

- 1) for the mortgagor and the mortgagee - legal entities, information about:
 for residents - the name, address and identification code in the Single Registry of Enterprises and Organizations of Ukraine;
 for non-residents - the name, address and the country of incorporation;
 for the mortgagor and the mortgagee - natural persons, information about:
 for Ukrainian citizens - the last name, first name and patronymics, address of permanent residence and identification number in the National Registry of Natural Persons – Taxpayers;
 for foreign nationals and stateless persons - the last name, first name and patronymics (if any), the address of permanent residence outside Ukraine;
- 2) essence, amount, dates of and procedures for performance of the principal obligation;
- 3) description of mortgaged property that is sufficient for identification thereof. In case a land plot is mortgaged, its designated purpose must be indicated and a plan (scheme) of the land plot must be appended;
- 4) indication about the execution of a mortgage deed.

A mortgage agreement may contain other terms, in particular information about the value of mortgaged property agreed by the parties as of the date of execution of the mortgage agreement, references to a document confirming the mortgagor's rights to the mortgaged property, information about any restrictions on such rights, specification of methods to be used to levy an attachment upon the mortgaged property.

A mortgage agreement and an agreement giving rise to a principal obligation may be executed in the form of one instrument. This instrument must comply by its form and contents with the requirements laid down in this Article and requirements specified by law for the agreement that gives rise to the principal obligation.

Article 18. Amendments and Modifications of the Mortgage Agreement

Amendments and modifications to a mortgage agreement shall be made in notarial form, and shall be subject to state registration pursuant to the procedures provided by law.

Any increase of a principal obligation or interest thereon, unless such increase is expressly provided in a mortgage agreement, may be effected upon state registration of applicable amendments to or modification of the mortgage agreement. Such increase shall be subordinated to a priority of claim

under any other obligations secured with the subject matter of the mortgage that was registered prior to registration of the amendments to or modifications of the mortgage agreement.

Article 19. Mortgage Deeds

A mortgage deed shall mean a security that evidences an unconditional right of its holder to obtain from a debtor performance of a principal obligation and, in the event of failure to perform the principal obligation, a right to levy an attachment upon mortgaged property. The mortgage deed shall be executed only if its issuance is expressly provided in the mortgage agreement.

The holder of a mortgage deed may transfer such deed to any person by way of endorsement in accordance with this Law. The next holder of the mortgage deed shall have the same rights as the mortgagee had under the agreement giving rise to the principal obligation and the mortgage agreement, on which basis the mortgage deed has been executed.

Upon execution of the mortgage deed, the principal obligation may be performed and an attachment may be levied upon mortgaged property only pursuant to a claim by the holder of the mortgage deed. The holder of the mortgage deed shall levy an attachment upon the mortgaged property pursuant to the procedure as is specified in Charter IV of this Law.

Upon execution of a mortgage deed, amendments of and modifications of the mortgage agreement and the agreement giving rise to the principal obligation may be made only after the mortgage deed has been annulled, and a new mortgage deed has been issued. Otherwise, such amendments and modifications shall be invalid. The mortgage deed may be annulled and the new mortgage deed may be issued by consent among the mortgagor, the debtor if the latter differs from the mortgagor, and the holder of the mortgage deed. Information about annulment of the mortgage deed and issuance of the new mortgage deed shall be subject to state registration pursuant to the procedures provided by law.

A mortgage deed may not be issued if a monetary obligation is secured by a mortgage, the amount of debt under which obligation is not determined as of the date of execution of a mortgage agreement and which obligation does not contain conditions that make it possible to determine such amount at a particular point of time.

A mortgage deed shall be subject to state registration pursuant to the procedures provided by law together with the mortgage agreement and, upon registration of issuance thereof, the original copy of the mortgage deed shall be provided to the mortgagee.

Article 20. Form and Contents of the Mortgage Deed

A mortgage deed shall be drawn up in writing in one copy. A note that a mortgage deed has been executed shall be entered on all original copies of the mortgage agreement.

The mortgage deed must obligatorily contain the following requisite details:

1) the words "Mortgage Deed" as part of the title of the document and the wording about the debtor's obligation to pay the mortgagee the amount of a principal obligation within a specified term;

2) for the mortgagor, the debtor (if the latter differs from the mortgagor) and the mortgagee – legal entities:

for residents – the name, address and identification code in the Single Registry of Enterprises and Organizations of Ukraine;

for non-residents - the name, registered address and the country of incorporation;

for the mortgagor, the debtor (if the latter differs from the mortgagor) and the mortgagee - natural persons:

for Ukrainian nationals - the last name, first name and patronymics, address of permanent residence and identification number the National Registry of Natural Persons – Taxpayers;

for foreign nationals and stateless persons - the last name, first name and patronymics (if any), the address of their permanent residence outside Ukraine;

3) references to requisite details of the mortgage agreement and the agreement giving rise to the principal obligation;

4) description of mortgaged property that is sufficient for identification thereof, and information about the existence of other encumbrances on the mortgaged property;

5) essence, amount, dates of and procedures for performance of the principal obligation;

6) a method to be used to levy an attachment upon mortgaged property pursuant to the mortgage agreement;

7) a note about the registration number, the date and place of state registration of the mortgage (this requisite detail shall be entered by the authority maintaining the applicable National Registry).

The mortgage deed may contain other terms that reflect the contents of the principal obligation and the mortgage. If the contents of the mortgage deed are inconsistent with the corresponding terms of the mortgage agreement or an agreement, which gives rise to the principal obligation, the provisions of the mortgage deed shall prevail.

The mortgage deed shall be signed by the mortgagor and the debtor if the latter differs from the mortgagor.

Article 21. Conditions for the Exercise of Rights and Performance of Obligations that arise out of the Mortgage Deed

In order to exercise rights under a mortgage deed, the holder of such a deed shall be obligated to file with the debtor a written request requiring performance of a principal obligation, and to present the original copy of the mortgage deed. If a monetary obligation is to be performed, the request of the holder of a mortgage deed shall indicate the holder's bank account, to which a debtor must transfer the respective amount of money.

A mortgage deed must be handed over to a debtor in the event of its due performance of the principal obligation. The fact that the debtor holds the mortgage deed testifies to the performance of the principal obligation, unless proven to the contrary. The fact that the mortgage deed is held by another person testifies that the principal obligation has not been performed, unless proven to the contrary.

If a principal obligation is to be performed in parts, the holder of a mortgage deed shall be obligated to provide to the debtor written receipts of payments, and to keep adequate records (a register) of payments under the mortgage deed, which records (register) are(is) to be given to the debtor at its request. In the event of conflict between receipts of payments and the register thereof, the receipts of payments shall have priority.

Chapter III. TRANSFER OF RIGHTS UNDER THE MORTGAGE AGREEMENT AND THE MORTGAGE DEED

Article 22. Consequences of Transfer of the Right of Ownership

to Mortgaged Property to a Third Party

A person, who has acquired real property mortgaged subject to the requirements of Article 8 of this Law from a mortgagor or has received such property by way of succession or inheritance, shall acquire the mortgagor's rights and obligations under the mortgage agreement and the mortgage deed.

If the right of ownership (right of full commercial management) to mortgaged property shall transfer from a mortgagor to another person, the mortgage shall be binding on the acquirer of such property even if such acquirer has not been informed that the property was encumbered with a mortgage.

If the right of ownership to mortgaged property shall transfer to an heir of a natural person - mortgagor, such heir shall be liable before the mortgagee or the holder of a mortgage deed for performance of the principal obligation only to the extent and within the value of the mortgaged property.

In the event of issuance of a mortgage deed, it shall be prohibited to dispose of mortgaged property until claims under the mortgage deed have been fully satisfied, unless the right of ownership to the mortgaged property has been transferred by way of succession or inheritance.

Article 23. Assignment of Rights under a Mortgage Agreement

Rights under a mortgage agreement shall be assigned without a need to obtain consent from a mortgagor, unless otherwise stipulated in a mortgage agreement, and provided that a right of claim under the principal obligation is assigned simultaneously. Unless proven to the contrary, assignment of

rights under the mortgage agreement shall testify to assignment of a right of claim under the principal obligation.

The mortgagee shall be obligated to provide written notice to the debtor of the assignment of rights under the mortgage agreement and the right of claim under the principal obligation.

A legal agreement, whereby rights under a mortgage agreement are assigned, must be notarized and registered pursuant to the procedures provided by law.

It shall be prohibited to assign rights under a mortgage agreement and a principal obligation if a mortgage deed is issued. Upon issuance of the mortgage deed, rights of the mortgagee under the mortgage agreement and the principal obligation shall be assigned to another person by way of transfer of the mortgage deed pursuant to the procedure specified in this Law.

Article 24. Transfer of a Mortgage Deed

A mortgage deed shall be transferred by way of endorsement by the holder of the mortgage deed (endorser) for the benefit of another person (endorsee) and delivery of the original copy of the mortgage deed.

An endorsement must indicate the last name, first name and patronymics and the address of a natural person or the name and address of a legal entity the mortgage deed is transferred to. The endorsement shall be signed by the mortgagee that is indicated in the mortgage deed and, if such endorsement is not first, by the holder of the mortgage deed who is indicated in the previous endorsement.

Endorsements on a mortgage deed prohibiting its further transfer shall be invalid.

An endorser shall be obligated to provide written notice to a debtor of transfer of a mortgage deed to an endorsee. In the event such obligation is not complied with by an endorser, the transfer of the mortgage deed shall be valid, and the endorsee shall have the right to demand from the endorser to reimburse for damages caused.

If a principal obligation is to be performed in parts, an endorser shall be obligated to provide to an endorsee copies of receipts of payments and a register of received payments under the mortgage deed.

Article 25. Legal Consequences of Transfer of a Mortgage Deed

The transfer of a mortgage deed by way of endorsement shall grant an endorsee all rights of a mortgagee under a mortgage agreement and a principal obligation. Transfer of the mortgage deed shall require no state registration. However, the transfer of the mortgage deed may be, in the discretion of the endorsee, registered pursuant to procedures provided by law.

An endorser shall be liable before an endorsee for the authenticity of information contained in the mortgage deed and validity of the mortgage deed, but the endorser shall not be liable for performance of claims under the mortgage deed by the mortgagor or the debtor if the latter differs from the mortgagor.

By the fact of transfer of a mortgage deed the endorser evidences for the endorsee that, as of the moment of mortgage deed transfer, the debtor continues to duly perform the principal obligation and has made in accordance with conditions of the mortgage deed all payments outstanding and payable as of the date of mortgage deed transfer, unless the endorsee has been otherwise notified in writing. The endorser shall be liable before the endorsee for any losses resulting from the failure to fulfill this condition.

The debtor may refuse to make payments under a mortgage deed for the benefit of the endorsee, who has acquired in good faith the mortgage deed by way of payment to the endorser and was not aware that information contained in the mortgage deed was inauthentic or that the mortgage deed was invalid or was not aware of other objections of the debtor against payments under the mortgage deed, only in the event that the obligations of the debtor under the principal obligation have been duly performed or the mortgage deed has been issued as a result of fraud, coercion, threat or malicious collusion of the parties. Other circumstances may not be used as grounds for refusal to make payments under the mortgage deed.

A debtor may continue to make payments for the benefit of a debtor until an endorser has provided written notice of transfer of the mortgage deed. In such case, the debtor shall not be liable before the endorsee for making such payments to the endorser.

Article 26. Restoration of Rights under a Mortgage Deed

In the event of loss of a mortgage deed, the mortgagor and the debtor, if the latter differs from the mortgagor, shall issue a duplicate of the mortgage deed, provided that the person, who demands issuance of the duplicate, may prove his right of ownership to the lost mortgage deed by way of reconstruction of all previous endorsements. A refusal of the mortgagor (the debtor) to issue the duplicate of the mortgage deed may be challenged in court.

A note on issuance of the mortgage deed duplicate must be on every page of the text in the duplicate, and information about the issuance thereof shall be subject to state registration pursuant to the procedures provided by law.

Article 27. Pledge of a Mortgage Deed

A mortgage deed may be pledged in order to secure performance of obligations of the holder thereof before another person.

If an obligation secured with the pledge of the mortgage deed is not performed, the pledgee may demand that it be assigned the rights under the mortgage deed. If an assignment of such rights is denied, the pledgee holding the mortgage deed may demand that it be assigned the rights under the mortgage deed through court proceedings.

Mortgage deeds shall be pledged in the manner prescribed by law for promissory notes and bills of exchange.

Chapter IV. SATISFACTION OF CLAIMS OF THE MORTGAGEE AT THE EXPENSE OF MORTGAGED PROPERTY

Article 28. Grounds for Levying of Attachments upon Mortgaged Property

In the event of non-performance or undue performance by the debtor of a principal obligation, the mortgagee may satisfy its claims under the principal obligation by way of levying an attachment upon mortgaged property. The right of the mortgagee to levy an attachment upon mortgaged property shall also arise on grounds as are specified in Article 11 of this Law.

In the event of termination (re-organization, liquidation) of a legal entity that is a mortgagor, the mortgagee shall acquire a right to levy an attachment upon mortgaged property, irrespective of whether the performance of the principal obligation has become due, unless the mortgagee and the mortgagor's successor (heir) have agreed otherwise.

An attachment upon mortgaged property shall be levied on the basis of a court decision, a notary's enforcement entry or pursuant to an agreement for satisfaction of the mortgagee's claims.

An attachment upon mortgaged property of a state-owned enterprise, an enterprise in which more than 50% of shares (participation interests, interests) are in state ownership shall be levied on the basis of a court decision.

If the subject matter of a mortgage encompasses two or more items of real property, an attachment shall be levied to the extent necessary to fully satisfy a mortgage's claims. If the subject matter of a mortgage that encompasses items owned by different persons, and satisfaction is obtained at the expense of a portion of property mortgaged, those mortgagors, upon whose property the attachment has been levied, shall have a right to pro-rata compensation from the mortgagors, upon whose property no attachment has been levied, shall acquire the mortgagee's rights to that portion of the property, upon which no attachment has been levied, in order to secure such compensation.

Article 29. Transfer of Mortgaged Property into Management

Upon adoption of a decision to levy an attachment upon mortgaged property, and in order to obtain fruits, products and incomes and to ensure due commercial use of real estate mortgaged in accordance with its designated use, the mortgaged property may be transferred, on the basis of an agreement between the mortgagor and the mortgagee or a court decision, into management to the

mortgagee or another person for a period until such property has been sold. The property shall be managed pursuant to law and the conditions as are specified in the agreement or court decision.

Fruits and incomes obtained as a result of management of mortgaged property shall be directed to satisfaction of the mortgagee's claims secured by the mortgage, unless otherwise provided by the agreement or court decision.

Article 30. Notice of Breach of a Principal Obligation and/or a Mortgage Agreement

In the event that a principal obligation and/or conditions of a mortgage agreement are breached, the mortgagee shall provide to the mortgagor and the debtor, if the latter differs from the mortgagor, a written request to eliminate the breach. If within 30 days upon receipt of the said request the breach has not been eliminated, the mortgagee may start levying an attachment upon the mortgaged property pursuant to the requirements of this Law.

A request to eliminate breaches must contain the following information:

1) for the mortgagor, the debtor (if the latter differs from the mortgagor) and the mortgagee – legal entities:

for residents – the name, address and identification code in the Single Registry of Enterprises and Organizations of Ukraine;

for non-residents – the name, address and the country of incorporation;

for the mortgagor, the debtor (if the latter differs from the mortgagor) and the mortgagee - natural persons:

for Ukrainian citizens – the last name, first name and patronymics, the address of permanent residence, signature and identification number in the National Registry of Natural Persons – Taxpayers;

for foreign nationals and stateless persons – the last name, first name and patronymics (if any), the address of permanent residence outside Ukraine, signature;

2) a concise outline of breached (defaulted) obligations;

3) a request of the mortgagee to perform the defaulted obligation within 30 days upon receipt of the request;

4) notice of levy of an attachment upon mortgaged property in the event of failure to comply with the said request.

If a breach of obligations on the part of the mortgagor or the debtor (if the latter differs from the mortgagor) poses a threat to the condition or safety of mortgaged property or materially interferes with the exercise of the mortgagee's rights, the mortgagee shall have a right at any time to undertake immediate measures within limits set forth in this Law without providing a written notice to the mortgagor and the debtor, if the latter differs from the mortgagor.

Article 31. Out-of-Court Settlement

Parties to a mortgage agreement must use their best efforts to resolve a matter of levying an attachment upon mortgaged property, in the first place through out-of-court methods of settlement. An out-of-court settlement shall be carried out on the basis of an agreement between a mortgagor and a mortgagee for satisfaction of the mortgagee's claims, which settlement may be entered into by them at any time prior to the court's adoption of a decision to levy an attachment upon mortgaged property.

An agreement for satisfaction of claims of a mortgagee must be notarized and may be executed in the form of a separate agreement by the mortgagor and the mortgagee or as a reservation that is contained in the mortgage agreement that defines a method of levying an attachment upon the mortgaged property pursuant to the provisions of this Law.

The agreement for satisfaction of claims of the mortgagee may provide for:

a transfer to the mortgagee of the right of ownership to mortgaged property in performance of the principal obligation;

a right of the mortgagee to sell mortgaged property to any person on the basis of a sale-purchase agreement.

In the event of out-of-court settlement, any further claims of the mortgagee with respect to the debtor's performance of the principal obligation shall be void.

Article 32. Transfer to the Mortgagee of the Right of Ownership

to Mortgaged Property

An agreement for satisfaction of a mortgagee's claims, which provides for a transfer to the mortgagee of a right of ownership to mortgaged property in performance of a principal obligation, shall be a legal ground for registration of the mortgagee's right of ownership to real property that is the subject matter of the mortgage.

A decision to register the mortgagee's right of ownership to real property, which is the subject matter of the mortgage, may be challenged by the mortgagor in court if the mortgagor proves that the principal obligation and terms and conditions of the mortgage agreement have not been breached.

In the event of transfer to the mortgagee of the right of ownership to real property, which is the subject matter of the mortgage, claims of other creditors that are secured with the same real property shall remain valid, and the mortgagee, who has acquired the right of ownership to the said real property, shall bear liability for their satisfaction.

Article 33. Right of the Mortgagee to sell Mortgaged Property

If an agreement for satisfaction of a mortgagee's claims provides for a right of the mortgagee to sell mortgaged property to any person – a buyer, the mortgagee shall be obligated, 30 days prior to entering into a sale and purchase agreement, to publish a notice of its intent to effect a sale in at least two local mass media at the address of mortgaged property and, within the same time period, to provide written notice of such sale to all persons who have rights and claims to the mortgaged property, which rights and claims have been registered pursuant to procedures provided by law. These persons shall have a pre-emptive right to buy the mortgaged property in accordance with the priority and amounts of their registered rights or claims.

The mortgagee's sale price of mortgaged property shall be determined by agreement between the mortgagor and the mortgagee or on the basis of a professional evaluation at a level that is not lower than usual market prices for the given type of property. In the event of failure to comply with this condition, the mortgagee shall be liable before other mortgagees pursuant to priority and amounts of their registered claims, and before the mortgagor for reimbursement of a difference between the sale price and the usual market price for the mortgaged property.

Proceeds from sale of mortgaged property shall be allocated among the mortgagee, other persons, who have registered rights and claims to the mortgaged property, and the mortgagor pursuant to the procedure specified in Article 42 of this Law.

In the event of sale of mortgaged property pursuant to the provisions of this Article, the debtor shall retain a right to perform the principal obligation under conditions and with consequences as are specified in Article 37 of this Law.

Mortgaged property under this Article may be sold also on the basis of a court decision.

Article 34. Sale of Mortgaged Property by Court Decision

In the event that a court satisfies a claim seeking levying of an attachment upon mortgaged property, the decision of the court must, in particular, specify:

- the total amount of claims and all its elements that must be paid to the mortgagee from the value of mortgaged property;

- a description of real property, at the expense of which claims of the mortgagee shall be satisfied;

- measures aimed to ensure preservation of mortgaged property or transfer thereof into management for a period until such property is sold, if such measures are necessary;

- a method of mortgaged property sale through a public auction or by way of application of a sale procedure described in Article 33 of this Law;

- registered priority and the amount of other creditors' claims that must be satisfied from the value of mortgaged property;

- the initial price of mortgaged property for its subsequent sale.

The court may refuse to satisfy a claim by a mortgagee seeking pre-term levying of an attachment upon mortgaged property, if breach of a principal obligation or a mortgage agreement

committed by a debtor or a mortgagor (if the latter differs from the debtor) does not cause damages for the mortgagee and does not change the scope of its rights.

The mortgage agreement may not be invalidated due to insignificant breaches of its form and content, which breaches have not resulted in the failure to comply with the requirements of this Law and do not change the scope of rights and obligations of the parties.

Article 35. Eviction of Residents

Levying of attachment upon a residential building or residential premises that have been mortgaged shall be a ground for eviction of all residents, except for tenants. Eviction shall be carried out in accordance with law, subject to specific features as are specified in this Law.

Upon sale of a mortgaged residential building or residential premises all residents shall be obligated to voluntarily vacate the residential building or residential premises at the demand of a new owner within one month following the receipt of such demand. If residents do not vacate premises voluntarily within the specified period of time, their forced eviction shall be carried out on the basis of a court decision. Eviction may also be carried out within the specified time at the demand of the mortgagee upon adoption of a decision to levy an attachment, but before the mortgaged property is sold.

Persons, who reside in the said premises pursuant to tenancy (rent) agreements, shall not be subject to eviction if:

- a tenancy (rent) agreement was entered into prior to the execution of the mortgage agreement, and the mortgagee was informed of the existence of such agreement, or such agreement was registered pursuant to the procedures provided by law;

- a tenancy (rent) agreement was entered into following the execution of the mortgage agreement per consent from the mortgagee.

Article 36. Sale of Mortgaged Property at a Public Auction

Mortgaged property, which is subject to levy of attachment under a court decision or a notary's enforcement entry, may be sold at a public auction under a procedure governing enforcement proceedings, subject to compliance with requirements of this Law.

Specialized organizations, which are licensed under procedures specified by the Ministry of Justice, shall be charged with arrangements for the sale of mortgaged property. The mortgagee shall have a right to select a specialized organization. The place of the public auction shall be determined by the specialized organization subject to the mortgagee's consent.

Article 37. Consequences of Performance of the Principal Obligation prior to Sale of Mortgaged Property

At any time prior to sale of mortgaged property at a public auction a debtor may perform claims under a principal obligation or that portion thereof, the performance of which is overdue, together with reimbursing for any expenses and losses sustained by the mortgagee, including court costs, fees payable to hired experts (evaluators, attorneys), costs associated with preparations for the conduct of a public auction etc. Such performance shall be a ground for discontinuing the sale of mortgaged property at the public auction. Terms and conditions of agreements restricting such a right of the debtor shall be void.

Unless otherwise provided in a mortgage agreement, if the principal obligation is to be performed in parts, the debtor may draw upon the right granted pursuant to Part 1 of this Article only once every twelve months and only twice during the entire term of the agreement giving rise to the principal obligation. In the event such limitations are exceeded, the debtor shall have a right to have the sale of mortgaged property discontinued only by virtue of full payment of the remaining amount outstanding under the principal obligation.

A property guarantor or a subsequent mortgagee may perform a principal obligation for a debtor with consequences similar to the above listed, and the preceding mortgagee shall be obligated to accept such performance. The subsequent mortgagee, who has paid the entire amount of the principal

obligation to the preceding mortgagee, shall be regarded a person for whose benefit the rights of the preceding mortgagee have been assigned under the mortgage agreement. The property guarantor, who has performed the principal obligation in full or in part, shall have a right to demand from the debtor to reimburse the amount paid by the property guarantor.

Article 38. Preparation for a Public Auction

A public auction must be conducted within two months by a specialized organization upon receipt by the specialized organization of an application from a state enforcement officer to conduct such auction.

The initial sale price for mortgaged property shall be determined by court decision or by agreement between the mortgagor and the mortgagee and, if they have failed to reach such agreement, by a specialized organization on the basis of professional evaluation of the mortgaged property. The initial price may not be lower than 90% of the property's market value determined by way of professional evaluation.

Not later than 15 days prior to commencement of the public auction the specialized organization shall publish a notice of the public auction in at least two local mass media at the address of mortgaged property. Such notice must contain information about the date, time and place of the public auction, a description of the mortgaged property subject to sale, the place where additional information about public auction conditions and any other necessary information may be obtained.

The specialized organization shall be obligated to ensure that any interested person has access to information about the public auction conditions and mortgaged property subject to sale.

Not later than on the date of publication of the public auction notice in mass media, the specialized organization shall provide written notice to the state enforcement officer, the mortgagor, the mortgagee and all persons who rights and claims to the mortgaged property, which rights and claims have been registered pursuant to the procedures provided by law, of the date, time and place of the public auction and the initial sale price for the property.

Article 39. Participation in a Public Auction

Natural persons and legal entities that have paid a guarantee fee and under law may be buyers of the real property to be sold shall be eligible to participate in a public auction. The amount of guarantee fees shall be determined by a specialized organization, but such amount may not exceed 5% of the initial sale price of mortgaged property. The mortgagor and all mortgagees will participate in the public auction without paying a guarantee fee.

Participants in the public auction shall be registered by the specialized organization. Registration shall stop not earlier than one hour prior to commencement of the public auction. In order to be registered, a participant shall provide to the specialized organization an ID document, an application for participation in the auction, a document confirming payment of a guarantee fee. At the time of registration, the participant in the public auction shall receive a card specifying its number pursuant to which such participant shall take part in the auction.

Article 40. Procedures for the Conduct of a Public Auction

Procedures governing the conduct of public auctions must be transparent. A specialized organization shall be obligated to provide each public auction participant with rules for the conduct of a public auction prior to commencement of the auction.

Any participant may be a buyer of mortgaged property, if such participant offers the highest price. If the mortgagee is a buyer, the mortgage shall be obligated to pay only a difference between its offered price and the amount of the outstanding principal obligation.

A public auction shall be conducted on condition that at least one participant is available. If one buyer participates in a public auction, property may be acquired by such a buyer only at an initial price.

If no participant has registered or if mortgaged property has not been sold, the public auction shall be declared as such that has not occurred.

Upon completion of the public auction, minutes shall be drawn up and signed by the authorized representative of the specialized organization and the buyer of the mortgaged property. The minutes must contain the following :

- a description of the mortgaged property acquired by the buyer;
- the initial price of the mortgaged property;
- the sale price of the mortgaged property;
- information about the buyer of the mortgaged property;
- the date by which the buyer must fully pay the sale price of the mortgaged property;
- a bank account of the specialized organization into which the buyer must transfer the sale price amount for the mortgaged property.

If necessary, other information may be added into the minutes.

Copies of minutes shall be sent to the mortgagor, all mortgagees and the state enforcement officer within 5 days upon signature thereof.

If the winner in a public auction refuses to sign public auction minutes, the next participant, who has offered the highest price, shall be declared a winner in the public auction. If no such participant is available, the public auction shall be declared as such that has not occurred.

Article 41. Procedures of Payment for Property acquired at a Public Auction

Within ten business days following the signature of minutes, the winner of a public auction shall transfer funds for the property acquired at the auction into a bank account indicated in the minutes.

The guarantee fee paid by the buyer prior to commencement of the public auction shall be included into the sale price. Paid guarantee fee amounts shall be returned to the other participants within three business days upon completion of the public auction. The guarantee fees shall also be returned if an auction has not occurred.

If the buyer does not pay the outstanding amount within ten days, the guarantee fee shall not be returned. No guarantee fee shall be also returned to an auction participant who has become a winner in the auction but has refused to sign auction minutes.

Article 42. Finalization of Results of a Public Auction and Allocation of Proceeds from Sale of Mortgaged Property

Within 5 business days upon receipt by a specialized organization of a payment from the buyer for the mortgaged property the specialized organization shall provide notice to the state enforcement officer that such payment has been made.

Within 5 business days upon receipt by the state enforcement officer of the above referenced notice, the state enforcement officer shall send to the specialized organization a certificate for purchase of property at the public auction, which certificate must contain the following information:

- a description of the purchased property;
- provisions to the effect that the public auction has been held in compliance with the requirements of this Law;
- data on the mortgagee and the mortgagor;
- data on the buyer;
- the sale price of the mortgaged property.

The certificate for purchase of property at the public auction shall be signed by the state enforcement officer and sealed with a stamp of the applicable division of the State Enforcement Service.

The state enforcement officer may not refuse to issue a certificate for purchase of property at a public auction, if the public auction is such that has been held in accordance with the requirements of this Law. In the event of the state enforcement officer's refusal to issue the certificate for purchase of property at the public auction, such officer must provide notice thereof to the specialized organization, the mortgagor, the mortgagee and the buyer within five days. The notice must contain references to grounds for the refusal. The refusal of the state enforcement officer to issue the certificate for purchase of property at the public auction may be challenged in court.

The certificate for purchase of property at the public auction shall be a legal ground for registration of the buyer's right of ownership to the property purchased at the public auction pursuant to procedures provided by law. In case of sale of mortgaged property together with a right of lease (use)

to real property, such certificate shall be a ground for assignment to a new owner of rights and obligations of the mortgagor under an agreement that defines lease (use) conditions.

Within 5 business days upon receipt by the specialized organization from the state enforcement officer of the certificate for purchase of property at the public auction the specialized organization shall send such certificate to the buyer, and shall allocate proceeds received from him in the following order:

costs associated with the conduct of the public auction;

commission fees payable to the specialized organization, which commission fees may not exceed 3% of the sale price of mortgaged property;

satisfaction of the claims of the mortgagees and other creditors, who have rights and claims to the sold property that have been registered pursuant to the procedures provided by law according to their priority and amounts;

the remaining funds shall be returned to the mortgagor.

The specialized organization shall provide to the state enforcement officer, the mortgagor, the debtor and mortgagees a report on the accomplished allocation of proceeds from the sale of mortgaged property.

If the amount received from the sale of mortgaged property does not cover the mortgagee's claims, the mortgagee shall be entitled to recover a deficiency from the other property of the debtor in the manner provided by law.

Article 43. Challenge of Results of a Public Auction

A mortgagee, a mortgagor, a debtor and any participant of a public auction may challenge results of the public auction in a court located at the address of real property within three months from the date of the auction.

Article 44. Rights and Obligations of the Mortgagee if a Public Auction is declared as such that has not occurred

Within ten days upon declaration of a public auction as such that has not occurred, mortgagees shall have a right, in accordance with the registered priority of their claims, to purchase mortgaged property at the initial price by way of set-off of their claims secured with the mortgage in payment of the sale price of the property. In such case, the purchase of mortgaged property by the mortgagee shall be finalized in minutes and a certificate pursuant to the procedure laid down in Article 42 of this Law.

If the mortgagee has not drawn upon the right specified in Part 1 of this Article, based on results of the first public auction there shall be scheduled a second public auction that must take place within one month following the completion of the first public auction on the same terms and conditions.

If the mortgagee has not drawn upon the right specified in Part 1 of this Article, based on results of the second public auction the mortgage shall terminate.

Article 45. Termination of Rights of Third Parties to Mortgaged Property

upon Sale thereof

Upon sale of mortgaged property at a public auction or pursuant to the procedure as described in Article 33 of this Law, there shall terminate any rights and claims of third parties to the property that was subject to the mortgage, which rights and claims arise upon state registration of the mortgage under the mortgage agreement, pursuant to which the attachment was levied upon the mortgaged property.

Article 46. Consequences of Taking (Redemption) of Mortgaged Property or Return thereof to the Owner

In the event that mortgaged property has been taken (redeemed) for state or public needs pursuant to law or by court decision, the mortgagee shall have a right to demand from the debtor pre-

term performance of the principal obligation and, in case of the debtor's failure to perform, a right of first-priority satisfaction of its claims at the expense of funds to be paid to the mortgagor, or at the expense of other property that is acquired by the mortgagor in connection with the taking (redemption) of the property.

Chapter VI. FINAL PROVISIONS

1. This Law shall enter into force as of the date of its promulgation.
2. As from the date of the entry into force of this Law, Section II of the Law of Ukraine "On Pledges" (Vidomosti Verkhovnoji Rady, 1992, No. 47, page 642; 1995, No. 1, page 3) shall be deemed ineffective.
3. Legislative and regulatory acts adopted prior to the entry into force of this Law shall apply to the extent they are consistent with this Law.
4. Until a law governing matters of establishment and operation of the National Registry of Rights to Real Property and the Single Land Cadastre has entered into force, mortgage registration procedures shall be laid down by a Temporary Regulation on Procedures for State Registration of Mortgages.
5. Within two months following the entry into force of this Law, the Cabinet of Ministers of Ukraine shall:
 - submit to the Supreme Rada of Ukraine for consideration draft laws, which are required to bring legislative acts, in particular the Law of Ukraine "On Enforcement Proceedings", into conformity with this Law and which follow from this Law;
 - approve the Temporary Regulation on Procedures for State Registration of Mortgages;
 - bring its regulatory acts and rules into conformity with this Law;
 - ensure that ministries and other central agencies of executive power bring their regulatory acts and rules into conformity with this Law.

Law of Ukraine

ON MORTGAGES

Contents

LAW OF UKRAINE	1
ON MORTGAGES.....	1
CHAPTER I. GENERAL PROVISIONS.....	1
ARTICLE 1. DEFINITION OF TERMS	1
ARTICLE 2. LAW ON MORTGAGES	1
ARTICLE 3. ARISING AND APPLICATION OF MORTGAGES	2
ARTICLE 4. MORTGAGED PROPERTY	2
ARTICLE 5. TERMS OF MORTGAGING.....	3
ARTICLE 6. CLAIMS SECURED BY MORTGAGES	3
ARTICLE 7. INSURANCE OF MORTGAGED PROPERTY	4
ARTICLE 8. POSSESSION, ENJOYMENT AND DISPOSAL OF MORTGAGED PROPERTY	4
ARTICLE 9. PRESERVATION OF MORTGAGED PROPERTY	4
ARTICLE 10. PROPERTY GUARANTOR	5
ARTICLE 11. LEGAL CONSEQUENCES OF A MORTGAGOR'S FAILURE	5
TO PERFORM OBLIGATIONS.....	5
ARTICLE 12. SUBSEQUENT MORTGAGES	5
ARTICLE 13. SPECIFIC FEATURES OF MORTGAGING OF STATE-OWNED PROPERTY	6
ARTICLE 14. SPECIFIC FEATURES OF MORTGAGING OF LAND PLOTS.....	6
ARTICLE 15. SPECIFIC FEATURES OF MORTGAGING OF UNFINISHED BUILDINGS	6
ARTICLE 16. GROUNDS FOR TERMINATION OF A MORTGAGE	7
CHAPTER II. FORMALIZATION OF MORTGAGES.....	7
ARTICLE 17. MORTGAGE AGREEMENT	7
ARTICLE 18. AMENDMENTS AND MODIFICATIONS OF THE MORTGAGE AGREEMENT	7
ARTICLE 19. MORTGAGE DEEDS	8
ARTICLE 20. FORM AND CONTENTS OF THE MORTGAGE DEED.....	8
ARTICLE 21. CONDITIONS FOR THE EXERCISE OF RIGHTS AND PERFORMANCE OF OBLIGATIONS THAT ARISE OUT OF THE MORTGAGE DEED	9
CHAPTER III. TRANSFER OF RIGHTS UNDER THE MORTGAGE AGREEMENT AND THE MORTGAGE DEED	9
ARTICLE 22. CONSEQUENCES OF TRANSFER OF THE RIGHT OF OWNERSHIP	9
TO MORTGAGED PROPERTY TO A THIRD PARTY	9
ARTICLE 23. ASSIGNMENT OF RIGHTS UNDER A MORTGAGE AGREEMENT.....	9
ARTICLE 24. TRANSFER OF A MORTGAGE DEED	10
ARTICLE 25. LEGAL CONSEQUENCES OF TRANSFER OF A MORTGAGE DEED	10
ARTICLE 26. RESTORATION OF RIGHTS UNDER A MORTGAGE DEED	11
ARTICLE 27. PLEDGE OF A MORTGAGE DEED	11
CHAPTER IV. SATISFACTION OF CLAIMS OF THE MORTGAGEE AT THE EXPENSE OF MORTGAGED PROPERTY.....	11
ARTICLE 28. GROUNDS FOR LEVYING OF ATTACHMENTS UPON MORTGAGED PROPERTY	11
ARTICLE 29. TRANSFER OF MORTGAGED PROPERTY INTO MANAGEMENT	11
ARTICLE 30. NOTICE OF BREACH OF A PRINCIPAL OBLIGATION AND/OR A MORTGAGE AGREEMENT.....	12
ARTICLE 31. OUT-OF-COURT SETTLEMENT	12
ARTICLE 32. TRANSFER TO THE MORTGAGEE OF THE RIGHT OF OWNERSHIP	13
TO MORTGAGED PROPERTY.....	13
ARTICLE 33. RIGHT OF THE MORTGAGEE TO SELL MORTGAGED PROPERTY	13
ARTICLE 34. SALE OF MORTGAGED PROPERTY BY COURT DECISION.....	13
ARTICLE 35. EVICTION OF RESIDENTS	14

ARTICLE 36. SALE OF MORTGAGED PROPERTY AT A PUBLIC AUCTION	14
ARTICLE 37. CONSEQUENCES OF PERFORMANCE OF THE PRINCIPAL OBLIGATION PRIOR TO SALE OF MORTGAGED PROPERTY	14
ARTICLE 38. PREPARATION FOR A PUBLIC AUCTION	15
ARTICLE 39. PARTICIPATION IN A PUBLIC AUCTION	15
ARTICLE 40. PROCEDURES FOR THE CONDUCT OF A PUBLIC AUCTION	15
ARTICLE 41. PROCEDURES OF PAYMENT FOR PROPERTY ACQUIRED AT A PUBLIC AUCTION	16
ARTICLE 42. FINALIZATION OF RESULTS OF A PUBLIC AUCTION AND ALLOCATION OF PROCEEDS FROM SALE OF MORTGAGED PROPERTY	16
ARTICLE 43. CHALLENGE OF RESULTS OF A PUBLIC AUCTION	17
ARTICLE 44. RIGHTS AND OBLIGATIONS OF THE MORTGAGEE IF A PUBLIC AUCTION IS DECLARED AS SUCH THAT HAS NOT OCCURRED	17
ARTICLE 45. TERMINATION OF RIGHTS OF THIRD PARTIES TO MORTGAGED PROPERTY	17
ARTICLE 46. CONSEQUENCES OF TAKING (REDEMPTION) OF MORTGAGED PROPERTY OR RETURN THEREOF TO THE OWNER	17
CHAPTER VI. FINAL PROVISIONS	18
LAW OF UKRAINE	19
ON MORTGAGES	19
<i>Contents</i>	19

