



THE ROLE AND IMPORTANCE OF CORPORATE CONTRACTS IN THE FORMATION OF CORPORATE RELATIONS

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Annotation:

This article includes the concept, importance and role of contracts, especially corporate contracts concluded between corporations and their participants in the formation of corporate relations, disputes over corporate contracts are discussed.

Keywords: corporate relationship, corporate contracts, founder(s), participant(s), contract base.

Nowadays business relations develop by various forms of internal and external corporate disputes and constitute among the participants of business relations, such as competition, business reputation, transfer of shares, exempting of contracts, disputes over decisions of the management body of corporations.

In particular, the participants of a limited liability (additional liability) or joint-stock company may sell their share in the authorized fund (authorized capital) of the company or a part of it to one or more participants of the company or otherwise give them up in their favor, the type of transactions concluded in this context and specific as a result of the lack of determination of the content, several problems arise in the application of contracts concluded in this way, the fulfillment and recognition of the terms of the contract.

Also, the fact that other participants (shareholders) are not aware of some transactions between the participants of the corporation, and the issues of disputes regarding the mutual internal documents of the corporations, the decisions of the general meeting are also increasing, requires the creation of mechanisms that ensure the openness and transparency of these situations.

According to Article 20 of the Law “On Limited Liability and Additional Liability Companies” in Uzbekistan, a shareholder has the right to sell his share in the company's authorized fund (authorized capital) or a part of it to one or more shareholders of the company, or to give it up in another way in favor of them. In order to conclude such an agreement, the consent of the society or other shareholders of the company is not required, unless otherwise stipulated in the company's charter. A shareholder of the company may sell his share (part of his share) to third parties or otherwise dispose of it in their favor, unless prohibited by the charter of the company.





Also, according to Article 354 of the Civil Code of the Republic of Uzbekistan, it is established that the parties may enter into an agreement that is not provided for by law.

The absence of provisions related to the corporate contract in the national legislation indicates that sufficient conditions have not been created for the shareholders of the company to exercise their corporate rights. This, in turn, leads to an increase in disputes, the formation of several practices and the formation of different approaches in the application of law.

In the experience of foreign countries, the practice of concluding corporate contracts is widely established, which creates wide opportunities in the regulation of corporate relations.

Chicago Law School professor F. Esterbrook defines the corporate contract as a corporation as "a set of complex arrangements of many kinds that are voluntarily worked out by those who join them".

The corporate contract includes the fact that the shareholders of the economic company must exercise their corporate rights in a certain way or refrain from exercising them, the shareholders of the company can vote in a certain way at the general meeting, perform other actions on the management of the company by mutual agreement, share (shares) in the authorized capital at certain prices or at certain prices.

In some cases, it represents situations such as buying or alienating or refraining from buying or alienating them until certain circumstances occur.

When analyzing the legislation of foreign countries in this matter, it can be seen that in almost all developed countries, including the European Union member countries, the United Kingdom, the United States, as well as the CIS member countries, including the Russian Federation, Belarus, Ukraine, and the Republic of Kazakhstan, there are rules related to corporate contracts and they are being used in practice.

Despite the fact that the regulation of relations in this field is based on different models, corporate management in them is based on the principle of freedom.

In particular, according to Article 67.2 of the Civil Code of the Russian Federation, the right of the participants of the economic company or some of them to conclude a corporate agreement on the exercise of their corporate rights (an agreement on the exercise of the rights of the shareholders of a limited liability company, a shareholder agreement), to use these rights with them in a certain way or to refuse (refusal) to implement them, including to vote in a certain way at the general meeting of the company's participants, to coordinate other actions on the management of the company, to undertake the purchase or alienation of shares, to sell the authorized





capital (shares) at a certain price or in the event of certain circumstances it is defined as refusal to alienate shares (shares) upon arrival or until certain circumstances occur. A corporate contract cannot oblige its participants to vote in accordance with the instructions of the company's bodies, determine the structure of the company's bodies and their competence. It may establish the obligation of its parties to vote at a general meeting of the company's participants for the inclusion in the company's charter of provisions that determine the structure of the company's bodies and their competence. And also the corporate contract is concluded in writing by drawing up one document signed by the parties and does not create obligations for persons who do not participate in it as parties.

Shareholders of a company that have concluded a corporate contract are obliged to notify the company of the fact of concluding a corporate contract, while its content is not required to be disclosed. In case of failure to fulfill this obligation, the shareholders of the company who are not parties to the corporate contract are entitled to demand compensation for the losses caused to them.

Information about a corporate contract concluded by the shareholders of a public joint stock company must be disclosed within the limits, in the manner and on the terms provided for by the law on joint stock companies.

However, in the US, corporate agreements are legally binding agreements that represent the internal documents of a particular company and resolve strategic issues between the participants and the company. Participatory contracts defining the distribution of income, contributions and obligations between participants, joint activity contracts representing the pooling of their resources for the implementation of a specific project or business activity between two or more companies, and contracts for the purchase of shares are widespread.

A corporate contract, like other types of contracts, may consist of conditions that reflect the rights and obligations of the parties, the terms of the contract, dispute resolution, termination and other necessary aspects of relations.

Contracts widely used in practice:

- commodity sales and product supply contracts;
- service contracts;
- cooperation agreements;
- labor contracts.

One of the most common corporate disputes is the validity of the contract. Most of these disputes are caused by disputes between the parties to the contract regarding the content of the contract, including invalidity cases.





When defining the terms of the contract, the parties should define the terms and dispute resolution mechanisms as clearly as possible. When the terms of the contract are abstract, according to the parol evidence rule, if a certain condition is not reflected in the contract, when clarifying and interpreting the terms of the contract, the court takes into account oral agreements, drafts of written contracts, letters, negotiations before the contract, and the behaviour of the parties after the contract.

In addition, the existence of a single electronic database of any contract (agreement) concluded between the participants of the corporation will help in solving these problems. The electronic database of contracts is a collection of contractual relations in electronic form for carrying out certain operations related to the organization's activities and conducting business.

In order to ensure the timely fulfillment of the terms of the contract through the electronic database, it will be possible to extend the terms, to inform about the expired terms and various notifications.

In Germany, ledox365 has created a platform that allows easy and safe control of contracts, and the platform provides users with an easy-to-use, flexible, secure environment for contracting and other legal matters.

ledox365 is enable for business to create and process contracts without the involvement of the legal department using self-service automation and templates and creates templates and self-service clauses with placeholders to increase compliance, quality and efficiency of legal & business processes creating contracts.

The entire life cycle of contracts is covered in LEDOX365, from the drafting and negotiation of contracts, to automated approval and (e-)signature workflows, right up to archiving and retention.

Singapore has a contract management platform that automates contract creation, tracking, and monitoring. It enables the sharing of contract documents across the company and the management of different document versions, contract management applications provide top-down control and monitoring of contract status, key dates and employee responsibilities.

Capterra contract management software has the benefits of improving productivity, such as drafting contracts is a tedious, time-consuming task that requires editing and legal supervision at each step. Most businesses don't have time to spare, and contract management software can improve contract creation efficiency through pre-built contract templates that can be used with minimal adjustments to meet your business needs. This saves time and effort, and allows businesses to move to the sharing and signing stages in less time.





Second benefit is that there is organized storage: businesses have to store, manage, and retrieve a lot of contracts, which can be an operational nightmare if you're storing and searching through hard copies. Contract management software eases this burden by storing contracts in a digital, organized repository. Users can search the entire repository with a few keystrokes and clicks, and even filter by name, date, party, region, deal value, and more.

This platform also can mitigate risks. According to Gartner, 60 to 80% of business to business deals are now managed through contracts. This means that breach of contract or missing deadlines not only results in a loss of revenue, but also damages a brand's image. Other research suggests that ineffective contract management can lead to a loss of up to 9.2% in annual revenue, a significant loss no matter your business size. A well-implemented contract management system helps all stakeholders remain compliant with all agreed-upon terms and conditions, and keep track of key contract milestones/deadlines. These systems can also mitigate unforeseen risks by alerting stakeholders to renew contracts before an expiration date and avoid service interruption.

Effective steps are being taken in this regard in Uzbekistan as well, approved by the Decree of the President of the Republic of Uzbekistan No. PF-89 of March 18, 2022 "On measures to ensure the rights and freedoms of citizens and further increase the efficiency of the activities of justice bodies and institutions in providing legal services" Republic of Uzbekistan Paragraph 9 of the Program of measures to further increase the efficiency of the Ministry of Justice and digitalization establishes the creation of a single electronic portal "E-SHARTNOMA" in 2022-2023.

According to the above, in conclusion, it should be said that the introduction of the concept of corporate contract into the national legislation expands the boundaries of the freedom of corporate management of economic societies, realizes the possibility of concluding a corporate contract of economic societies, and serves the compact classification of these relations.

The creation of an electronic system for the conclusion and management of a contract provides convenience for business entities and legal entities that are parties to the contract, serves to resolve disputes over contracts and formalize the contract in accordance with legal requirements.

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