APPROVED by the General Meeting of Members of the Horse Breeding Development Association, Minutes No. 4 dated 10 February 2019.

REGULATIONS ON THE COMPENSATION FUND OF THE HORSE BREEDING DEVELOPMENT ASSOCIATION

[The Russian original bears the Association's emblem, a round seal and a handwritten signature.]

Moscow, 2019

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Russian original

Contents

Section	Page in the Russian original
1. General Provisions	3
2. Procedure for Establishing the Compensation Fund	3
3. Payments from the Compensation Fund	4
4. Replenishment of the Compensation Fund	6
5. Monitoring the Compensation Fund	6
6. Final Provisions	6

1. General Provisions

1.1. These Regulations on the Compensation Fund of the Horse Breeding Development Association (hereinafter, the compensation fund) have been developed in accordance with Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations', the Charter of the Horse Breeding Development Association (hereinafter, ARK), and ARK's internal documents.

1.2. These Regulations govern the establishment and replenishment of the compensation fund and prescribe the procedure for making payments from it.

1.3. The compensation fund constitutes segregated assets owned by ARK and is formed in monetary form from contributions by ARK members and income derived from the placement and investment of the compensation fund's resources, excluding such income applied to cover expenses associated with ensuring appropriate conditions for investing those resources.

1.4. The compensation fund is established to secure the pecuniary liability of ARK members to consumers of goods, works and services produced by ARK members and to other persons in respect of an ARK member's obligations arising from harm caused by defects in goods, works or services produced by that member.

1.5. ARK shall account for compensation fund resources separately from its other assets.

1.6. Within the limits of ARK's compensation fund resources, ARK bears subsidiary liability for obligations of its members arising from harm caused in the circumstances specified in clause 1.4 of these Regulations.

1.7. No execution may be levied against ARK's compensation fund assets in respect of ARK's obligations, including an obligation to compensate an ARK member for harm caused to that member.

1.8. In these Regulations, the terms 'disciplinary offence', 'disciplinary proceedings' and 'disciplinary liability' have the meanings assigned to them in the Regulations on Disciplinary Measures, the Procedure and Grounds for Their Application, and the Procedure for Considering Cases.

2. Procedure for Establishing the Compensation Fund

2.1. The compensation fund shall be formed from:
- contributions to the compensation fund upon admission to ARK membership;
- income derived from the placement and investment of compensation fund resources in accordance with the Regulations on the Procedure for Placing ARK Compensation Fund Resources for Their Preservation and Growth and on the Directions of Their Placement (Investment Declaration).

2.2. A new member admitted to ARK membership shall pay a contribution to the compensation fund within 1 (one) month of the date on which ARK's Supervisory Council decides to admit that member. The amount of that contribution to the compensation fund is 4000 (four thousand) rubles.

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2.3. An ARK member may not be exempted from the obligation to pay a contribution to the compensation fund.

2.4. Payment of a contribution to the compensation fund in instalments or by any other means that precludes a single lump-sum payment is prohibited, as is payment by third parties who are not ARK members.

2.5. Contributions to the compensation fund shall be transferred to ARK's current account, specifying the payment purpose as 'contribution to ARK's compensation fund'.

2.6. Contributions to the compensation fund may not be refunded to ARK members, including persons whose ARK membership has ended.

3. Payments from the Compensation Fund

3.1. Payments from the compensation fund are prohibited except where made as a result of ARK's subsidiary liability arising in the circumstances specified in clause 1.4 of these Regulations.

3.2. A decision to make a payment from the compensation fund in the cases prescribed by these Regulations shall be taken by ARK's Supervisory Council in accordance with the Regulations on ARK's Supervisory Council.

3.3. A payment from the compensation fund shall be made to a person entitled to claim compensation for harm, on the basis of an application accompanied by a court judgment or judgments that have entered into legal force, or documents obtained from public authorities exercising control and supervision functions, confirming that harm was caused to that person by defects in goods, works or services produced by an ARK member.

3.4. The application and accompanying documents referred to in clause 3.3 of these Regulations shall be sent to ARK's Supervisory Council, which shall forward them to ARK's Control Commission for consideration within 1 working day of receipt. ARK's Control Commission shall consider that application and the accompanying documents within no more than 10 (ten) working days.

3.5. When considering the application and accompanying documents referred to in clause 3.3 of these Regulations, ARK's Control Commission shall verify the facts set out therein, taking into account, among other things, information requested from the ARK member whose fault caused harm to the consumer of the goods, works or services or to another person, from state or municipal authorities, and from other organizations possessing information concerning the circumstances in which that harm was caused.

3.6. If consideration of the application and accompanying documents reveals indications that an ARK member has violated ARK standards and rules or ARK membership conditions, ARK's Control Commission shall compile the relevant case materials and forward them to ARK's Disciplinary Committee for disciplinary proceedings to be opened in accordance with the Regulations on Disciplinary Measures, the Procedure and Grounds for Their Application, and the Procedure for Considering Cases.

3.7. If, on the basis of materials received in accordance with clause 3.6 of these Regulations, ARK's Disciplinary Committee, following

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disciplinary proceedings, holds an ARK member disciplinarily liable, the disciplinary measure 'Imposition of a Fine' shall be applied to that member. ARK's Disciplinary Committee shall notify ARK's Control Commission by forwarding a copy of its decision to apply that disciplinary measure within 1 (one) working day of the date on which the decision is taken.

3.8. If, on the basis of materials received in accordance with clause 3.6 of these Regulations, ARK's Disciplinary Committee decides to discontinue disciplinary proceedings because no disciplinary offence has been committed by the ARK member, it shall notify ARK's Control Commission by forwarding a copy of the decision establishing the absence of a disciplinary offence by that member within 1 (one) working day of the date on which that decision is taken.

3.9. If ARK's Control Commission's consideration of the application and accompanying documents reveals no violation of ARK standards and rules or ARK membership conditions by the member, but establishes and confirms that the member caused pecuniary harm to the consumer of the goods, works or services or to another person in the course of ARK activities, or if a copy of the Disciplinary Committee decision referred to in clause 3.7 of these Regulations is received, ARK's Control Commission shall formulate a recommendation to ARK's Supervisory Council that payment to the applicant from the compensation fund is necessary.

3.10. If ARK's Control Commission's consideration of the application and accompanying documents reveals no violation of ARK standards and rules or ARK membership conditions by the member and does not establish that the member caused pecuniary harm to the consumer of the goods, works or services or to another person in the course of ARK activities, or if a copy of the Disciplinary Committee decision referred to in clause 3.8 of these Regulations is received, ARK's Control Commission shall formulate a recommendation to ARK's Supervisory Council that the applicant be refused a payment from the compensation fund.

3.11. The recommendations of ARK's Control Commission referred to in clauses 3.9 and 3.10 of these Regulations shall be forwarded to ARK's Supervisory Council no later than 1 (one) working day after the relevant recommendation is formulated or a copy of ARK's Disciplinary Committee decision is received.

3.12. No later than 10 working days after receipt of the Control Commission recommendations referred to in clause 3.11 of these Regulations, ARK's Supervisory Council shall take one of the following decisions:
- to refuse the applicant a payment from the compensation fund;
- to recognize the applicant's application as well-founded and to grant it.

3.13. The applicant shall be informed in writing of the decision taken by ARK's Supervisory Council within 5 (five) working days of the decision date. Where a payment from the compensation fund is refused, the notification shall include a reasoned explanation of the refusal.

3.14. If ARK's Supervisory Council decides that the application is well-founded and should be granted, a payment from the compensation

fund shall be made no later than 10 (ten) working days after the date on which that decision is taken. The payment from the compensation fund in respect of any single application for compensation relating to the relevant instance of harm caused by defects in goods, works or services produced by an ARK member may not exceed fifty per cent of the compensation fund.

3.15. The Supervisory Council decisions referred to in clause 3.12 of these Regulations may be challenged in court in accordance with the procedure established by the legislation of the Russian Federation.

3.16. Where an ARK member transfers funds to the compensation fund in error, including an overpaid contribution, compensation fund resources shall be refunded if there are sufficient grounds to identify the funds as transferred in error, on the basis of that person's application for a refund of funds transferred in error, accompanied by supporting documents.

4. Replenishment of the Compensation Fund

4.1. Compensation fund resources expended in accordance with clause 3.1 of these Regulations shall be replenished by the ARK member whose fault occasioned the payment from the compensation fund, within the period specified in ARK's Supervisory Council decision recognizing the applicant's application as well-founded and granting it.

5. Monitoring the Compensation Fund

5.1. ARK's Director shall monitor the state of the compensation fund.

5.2. Information on the composition and value of the compensation fund's assets, on payments made from the compensation fund and the grounds for such payments, if any have been made, and on the current size of the compensation fund shall be posted on ARK's official website on the Internet information and telecommunications network in accordance with ARK's Regulations on Information Disclosure.

6. Final Provisions

6.1. These Regulations shall enter into force on the date of their approval, but not before information concerning ARK is entered in the state register of self-regulatory organizations in accordance with the requirements of Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations'.

6.2. Amendments to these Regulations shall be made by a decision of ARK's General Meeting of Members in accordance with the legislation of the Russian Federation and ARK's Charter.
Such amendments shall enter into force on the date of their approval, unless the amendments specify different effective dates, but not before information concerning ARK is entered

in the state register of self-regulatory organizations in accordance with the requirements of Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations'.

6.3. If information concerning ARK is removed from the state register of self-regulatory organizations, or ARK is liquidated, ARK compensation fund resources shall be disposed of in accordance with the procedure established by the Civil Code of the Russian Federation.