

LAW
OF THE REPUBLIC OF ARMENIA
ON LIMITED LIABILITY COMPANIES

Adopted on October 24, 2001

CHAPTER 1. GENERAL PROVISIONS

Article 1. Scope of the Law

This law regulates the legal relationships arising from establishment, activity, reorganization and liquidation of the limited liability companies.

This law provides for the legal status of a limited liability Company, as well as its participants' rights, duties and responsibilities.

Specifications of establishment and activity reorganization and liquidation, as well as legal status of Limited Liability Companies considered as a bank, loan and settlement organization are defined by the Republic of Armenia Laws "On Banks and Banking Activity" and "On Settlement System and Settlement Organizations".

Article 2. Legislation on Limited Liability Companies

The legislation on Limited Liability Companies consists of the Civil Code of the Republic of Armenia (hereinafter, Code), the present law, other laws and the international treaties of the Republic of Armenia.

Article 3. Basic Provisions on Limited Liability Companies

1. A Company founded by one or several persons with a Charter Capital divided into shares in amounts as determined by the company's charter shall be considered as a Limited Liability Company (hereinafter, Company).
2. A Company is a commercial organization with status of a legal person.
3. A Company shall have a separate property in ownership and shall be liable for its obligations with this property; it may acquire and exercise property and personal non-property rights, bear duties, and be a plaintiff or a defendant in court.
4. A Company shall have such civil rights not prohibited by the law, which are necessary for performing its activities, if it does not contradict with the subject and the goals of the activity of the Company defined by its charter.
5. A Company shall have a right to open bank accounts in the Republic of Armenia and beyond its borders by defined rules.
6. A Company must have its firm name in Armenian language, as well as a round seal containing other essential elements defined by the Government of the Republic of Armenia (herein, Government). A seal of a Company may also contain the Company name or the firm name in foreign languages, as well as the illustration or the symbol of its trademark.
7. A Company may have its blank with its name or the firm name, a logo, a trademark and other means of its own identification.
8. Location of the Company shall be the place of location of its permanently acting body, any of the executive bodies as defined by the charter. State registration of the Company shall be conducted through the place of location of the Company. Delivery of mail and other correspondence by the place of location of Company is considered a proper delivery.

Article 4. Company Property

1. The contribution of the founders (participants) of a Company, the property created at the cost of these contributions, as well as produced and acquired during the activity of a Company shall belong to that Company by the right of ownership.
2. A Company has right to possess, use and manage at its discretion the property belonging to it by the right of ownership.

Article 5. Liability of Company and its Participants

1. A Company shall be liable for its obligations with all property belonging to it.
2. A Company shall not be liable for the obligations of its participants.

3. The participants in a Company shall not be liable for the obligations of the Company and shall bear the risk of losses related with the activity of the Company within the value of their contributions.

The participant in a Company that has not made its full contribution to the Charter Capital shall be liable jointly and severally for the obligations of the Company within the value of the share of its contribution that is not paid. When an economic partnership is reorganized into a company, each full partner, while becoming a participant in the company, within two years shall bear a subsidiary liability with all its property for liabilities transferred from the partnership to the company. Alienation of the shares belonging to it by the former partner shall not release it from such a responsibility.

4. The Republic of Armenia or communities shall not be liable for the obligations of a Company, as well as a Company shall not be liable for the obligations of the Republic of Armenia or communities.

Article 6. Branches and Representations of Company

1. A Company may create branches and representations on the basis of the decision of its authorized body in accordance with the Code, the present law and its charter.

2. Establishment of branches and representative offices of the Company in foreign countries is executed in accordance with the legislation of that country, provided that there is not otherwise stipulated by the international treaties of the Republic of Armenia.

3. In the Republic of Armenia, branches and representative offices of a Company are subject to registration by the body performing registration of legal persons in accordance with the rules defined by the law.

Article 7. Institutions of Company

1. In conformity with the Code, the present law and its charter a Company may create institutions on the basis of the decision of its authorized body.

2. Institutions of a Company in the Republic of Armenia shall be subject to registration by the body registering legal persons in accordance with rules defined by the law.

CHAPTER 2. ESTABLISHMENT OF COMPANY

Article 8. Establishment of Company

1. A Company may be established through foundation of a new Company, as well as reorganization of commercial organizations.

2. Establishment of a Company through foundation shall be performed by the decision of the founders.

3. A Company may further transform into a Company with one participant. A Company founding contract shall not be signed in case of founding a Company with one founder (participant).

4. A Company shall be considered as established from the moment of its State registration by the procedure defined by law.

5. A Company shall be established without a time limitation, if otherwise is not stipulated by its charter.

Article 9. Contract of Company Foundation

1. Persons (founders) wishing to found a Company shall sign a written contract. The Contract on Company Founding is subject to ratification by a notary rules upon the claim of any founder or, if immovable property rights are introduced to the Charter Capital of the Company by the founders based on the Contract on Company Founding or in other cases stipulated by the Code.

2. The Contract on Company Founding defines the rules of joint activity for founding a Company, the terms and conditions of delivery of their property to the Company and their participation in its management, monetary evaluation of non-monetary contributions made into the charter capital, as well as the membership of the Company founders, the share of the Charter Capital and each founder, the composition and the amount of contribution, the procedure of contribution at the moment of Company founding, the liability of the founders related to contribution for non-performance of their duties.

3. The founders must adopt decisions related to the Company founding by the founders unanimously.

4. The founders of the Company shall bear equal liability for obligations related to the creation of the Company that have arisen prior to the State registration of the Company. The amendments in the Contract on Company Founding are made by the rules defined by the present article of Contract on Company Founding.

Article 10. Company Charter

1. The charter approved by its founders shall be considered as the founding document of the Company.
2. The founders must take a unanimous decision on the approval of the Charter.

The Charter of the Company shall incorporate:

- a) the name of the Company;
- b) the place of location of the Company;
- c) the composition and the authorities of the managing bodies of the Company, including issues representing the exclusive authority of the General Meeting of the Company participants (herein, general meeting);
- d) the rule of decision making by the managing bodies of the Company including the questions on which the decisions shall be taken unanimously or by the qualified majority of votes;
- e) the amount of the Charter Capital of the Company;
- f) the rights and obligations of the participants of the Company;
- g) the rule of exit of a participant of the Company from the Company;
- h) the rule of transfer of the share of the Charter Capital of the Company to another person.

The Charter of a Company may contain other provisions non-contradictory the law.

3. Upon the request of a guest auditor or any other person, the Company shall be obliged to provide him/her with the possibilities to get acquainted with the Contract on Company Founding and the charter and the amendments thereto within a reasonable timeframe. The Company may not charge for the copies more than the costs necessary for their preparation.

4. The amendments to the Charter of the Company shall be made by the General Meeting of its participants. The amendments made to the Charter of the Company shall enter into legal force for a third person from the moment of their State registration, whereas in cases stipulated by law - from the moment of notification of the body performing the State registration of legal persons.

5. A person shall be considered a participant of the Company after registration as such in the log of the Company participants by the body performing the State registration of legal persons. The rules of keeping the registry of the Company participants shall be defined by the Government of the Republic of Armenia, and those of participants of companies considered as a bank – by the Central Bank of the Republic of Armenia.

CHAPTER 3. PARTICIPANTS IN THE COMPANY

Article 11. Founder and Participant of the Company

1. Persons who have signed the Contract on Company Founding before the State Registration of Company, and the person who has made the decision on founding the Company in case when the Company is founded by one person, shall be considered as founders of the Company.

2. Participants of the Company shall be considered the persons who have the right of ownership towards the Company share from the moment of the State Registration.

3. Participants or Founders of the Company can be individuals or legal entities, the Republic of Armenia and communities. The State and Local Self-Government Bodies cannot be participants or founders of the Company. Only the Government of the RA can be a Founder or Participant of Company on behalf of the Republic of Armenia. On behalf of the Community, only the Head of the Community can be a Founder or Participant of Company upon the agreement/consent of the Council of Community.

4. The Participant of the Company having one Founder (Participant) shall exercise the rights and responsibilities reserved to the Participants (Founders) of the Company according to the present Law. The Company as one Founder (Participant) cannot found or have any other business company, which would consist of one person.

5. The right of being the Founder or Participant of the Company could be limited only by the Law.

6. The number of Company Participants shall not exceed 49, otherwise the company shall be subject to reorganization into Joint Stock Company within one year, and upon expiry of that period, the company shall be subject to liquidation by judicial order, if the number of its participants is not reduced to the number set in this paragraph.

Article 12. The Rights of the Company Participants

The Company Participants have the right:

- a) To participate in the management of the Company by the rules defined in the present Law or the Company Charter;
- b) To receive information about the Company` s activities according to the rules defined by the Company`s Charter;
- c) To receive share from the profit of the Company`s activities defined by the law;
- d) To alienate his/her share (a part of it) to one or several participants of the Company or to a third person according to the rule defined by the Law and the Company Charter;
- e) To leave the Company at any moment regardless of other Participants` consent;

f) To receive a share from the left Company's property as determined by the Law or Company Charter in case of the liquidation of the Company. The Company Participants have other rights as defined by the Law and the Company Charter.

Article 13. The Obligations of the Company Participants

The Participants of the Company are obligated:

- a) To invest in the Charter Capital of the Company according to the rules defined by the Company Charter.
- b) To not publish any information containing secrecy about the Company activities except for the cases defined by the Law.

The Participants of the Company also bear other responsibilities as defined by the Law and the Company Charter.

Article 14. Transfer (Alienation) of the Share of the Company's Participant in the Charter Capital of the Company

1. The Company participant has the right to sell or in other way to alienate his/her share (a part of it) of the Charter Capital of the Company to one or more Participants of the Company.
2. The Company participant is permitted to sell his/ her share (a part of it) to third parties unless otherwise is stipulated by the Company Charter.
3. The Company participants have the priority right to purchase the participant's share (a part of it) proportional to their shares at the price offered to third parties (except for the case stipulated under the Law of the Republic of Armenia "On Bankruptcy of Banks and Loan Organizations"). The Company participant who wants to sell his/her share to a third party, is obligated to notify the Company about that in written form mentioning the price and other conditions of the sale. The Company shall notify the Company participants about that according to the rules defined by the Company Charter. If the Company Participants do not use the right of priority for purchasing within one month from the date of notice or within any other time period stipulated in the Company Charter or agreed among the Company participants, the participant's share may be alienated to third parties by the same conditions and by the price not less than the one offered to the Company participants.
4. The Company priority right of purchasing the share (a part of it) of Company's participant stipulated by paragraph 3 of the present Article could be envisaged in case the other Participants of the Company have not used their priority rights to acquire the share (a part of it).
5. In case of selling the share by violation of the purchasing priority right of the present Law, any Participant of the Company and/or the Company itself, if the Company priority right is stipulated in the Company Charter, has a right to claim the recognition of the transaction invalid through judicial procedure within six months started from the moment that they have been informed or were obliged to know about the violation.
6. Any concession of the purchasing priority right of the share is prohibited by the present Law.

Article 15. Contract on Alienation of the Share

1. The alienation of the share shall be conducted through an explicit written contract if the Civil Code of the Republic of Armenia or the Company Charter does not stipulate its notary validation.
2. Non-observance of the format of the Share Alienation Contract defined by the present Article and the Company Charter leads to its invalidation.
3. The Company must be notified in written form about the alienation of the share with relevant evidences approving the fact of alienation. The rights and responsibilities of the Company Participant arisen before the alienation shall be conceded to the person who has acquired the share.

Article 16. Transfer of the Share of the Company Participant in the Company Charter Capital to his/her Inheritors or Legal Successors

1. The shares in the Charter Capital shall be conceded to the Company Participant citizens' inheritors and legal successors of the legal persons, if the Company Charter does not stipulate that such transfer could be permitted only upon the other Company Participants' consent. According to the conditions and rules defined by the present law and the Company Charter, refusing the transfer of the share by the Company Participants leads to the obligation of the Company to pay or reimburse the size of it to the inheritors (legal successors) according to the rules of paragraph 1 of the Article 23 of the present Law.
2. In case if the Company Charter stipulates that it is necessary to have the consent of the Company Participants for transferring the share of the Company Participant in the Charter Capital to his/her inheritors or legal successors of the legal persons, it is considered to be received if within 30 days after applying to the Company Participants or within any other time period stipulated in the Company Charter the written consent of all the participants is received, or no refusal in writing is received from any Participant.

Article 17. Pledging the Share in the Charter Capital of the Company

1. The Company Participant has right of pledging his/ her share (a part of it) in the charter capital of the Company to one or more Participants or third parties, if the Company Charter does not prohibit it.
2. Confiscation shall be applied to the pledged share (a part of it) of the Company Participant according to the procedure defined by the Article 20 of the present Law.
3. The share of the Company Participant, before the full payment of it, could be pledged only by the already paid amount.
4. A right to pledge of the share of the Company's participant shall raise from the moment of registration of the right to pledge by the body conducting state registration of legal persons. The Government of the Republic of Armenia shall define rules of registration of the right to pledge towards the share of the Company's participant. Rules of registration of a right to pledge of the share of the participants of companies representing banks shall be defined by the Central Bank of Republic of Armenia.

Article 18. Acquisition of a Share in the Charter Capital by the Company

1. The Company has the right of acquiring shares (parts of them) in its Charter Capital only in the cases defined by the present Law.
2. According to the Company Charter, if the alienation of the Participant's share (a part of it) to third parties is not possible, and the other Participants of the Company refuse to purchase it, the Company is obligated to acquire the Participant's share on his/her request.
The share is transferred to the Company from the moment of submitting a request of the Participant on its acquisition by the Company, or when the court decision on releasing the Company Participant from the Company comes into legal force, or if one of the Company Participants refused to transfer the share to the inheritors (legal successors) of the Company Participant or to allocate it among the Participants of the liquidated legal entity Participant in the Company, as well as in the case of paying off the share value (a part of it) by the Company at the request of the creditors of the Company Participants.
3. The Company is obligated to pay off the share value (a part of it) to the Participant according to the rule defined by paragraph 1 of Article 23 of the present Law.

Article 19. Shares of the Company

1. The shares of the Company are not taken into account while counting the voting results of decisions of Company Participants General Meeting, as well as during property distribution in case of the Company's liquidation.
2. Within one year the share of the Company after being transferred into the Company's ownership must be distributed among all the Company Participants proportionally to their shares by the unanimous decision of the Company Participants General Meeting, or to one or several Participants of the Company, or when it is not prohibited by the Company Charter, to third parties, and must be paid completely. The undistributed part of the share must be repaid through reducing the Charter Capital of the Company.

Article 20. Seizure or Confiscation of the Share of the Company Participant in the Charter Capital of the Company

1. Upon request of the creditors, the Company Participant's share may be seized to cover his/her debts only if any other property is not sufficient for covering the Participant's debts on the basis of a court decision.
2. In order to pay off the value of the given Company Participant's share to his/her creditors the Company suggests the other Company Participants to purchase that share. In case, when the Company Participants do not use their right to purchase the share within one month, the Company has right to acquire the given share and pay off the value of the share to the creditors of the Company Participant.
In case, when the Company does not use its right to acquire the Company Participant's share within one month, the seizure of the share is implemented through public auction.
3. In case, when the share is not vended through public auction within one month, a property in the Charter Capital of the Company relevant to the share shall be separated for seizure.
4. The Company Participant's share could be seized only in the cases stipulated by the Law. The seizure of the share of the Company Participant is implemented according the rule defined by paragraph 2 of the present Article. In case the Company or its Participants are not paid the value of the seized share of the Company Participant within the period of two months, the right of ownership over the given share shall be transferred to the Republic of Armenia.
5. The seizure of the Company Participant's all share in the Company property or full confiscation of the share shall terminate his/ her participation in the Company.

Article 21. The Company Participant's Leave of the Company

The Company Participant has right to leave the Company at any moment regardless of the consent of the Company or the Company Participants. Settlement connected with the leave of the Company Participant from the Company is made according to the rule stipulated in paragraph 1 of Article 23 of the present Law.

Article 22. Removal of the Company Participant from the Company

1. A Company participant could be removed from the Company by judicial procedure based on request presented by the participant (s) of the Company, if he/she due to his/her activities or inactivity makes the usual activities of the Company difficult or impossible.
2. The share of the removed Company participant is passed to the Company. The Company is obligated to pay the value of the share defined in the rule provided in 1 paragraph of the Article 23 of the present Law to the participant.

Article 23. Settlements Connected with Exit or Removal of the Company Participant from the Company

1. Beginning from the moment of submitting an application of leaving the Company by the Company participant, his/her share is transferred to the Company. The Company is obligated within 6 months after submitting the Company leaving application to pay the Participant the value of the share (in case of not full contribution of share, appropriate value to his/her contributed share in the Charter Capital), which is determined on the basis of the accounting statements for the last reporting period of the Company at the moment of submitting the application on exit from the Company. Upon the decision by the General Meeting of the Company Participants and the Company leaving Participant's agreement, property relevant to his/her share value may be given to him/her. The Company preserves the right of use of the property contributed to the Charter Capital by the leaving Participant from the Company until the term for the right of use is over, unless otherwise is provided by the Contract on Company Founding or the Charter.
2. If the right of use of the property has been contributed in the Charter Capital of the Company, the Company preserves right of use until the term for the right of use is over, unless otherwise is provided by the Contract on Company Founding or the Charter.

Article 24. Distribution of Profit among the Company Participants

1. The Company has right of distributing its profit among the Company Participants once a year. Decision on the Profit Distribution shall be made at the Company Participants General Meeting.
2. The profit subject to distribution shall be distributed among the Company Participants proportionally to their shares in the Charter Capital of the Company.
3. The procedure and specificities of profit distribution between the bank participants are defined by the Law of the Republic of Armenia "On Banks and Banking Activity".

Article 25. Profit Distribution Limitations among the Company Participants

The Company has no right of making a decision on distributing the profit among the Company Participants or paying such a profit to the Company Participants if the decision on its distribution was already made:

- a) Before full payment of the Charter Capital of the Company;
- b) If at the moment of making decision the net asset value is less than the Charter Capital and reserve fund, or as a result of making such a decision it will become less than those.
- c) Other cases stipulated in the Law.

Article 26. Reserve Fund and other Funds of the Company

The Company may create Reserve Fund and other funds according to rule and amounts defined by its Charter.

Article 27. Issue of Stocks by the Company

The Company has right of issuing securities, except for stocks according to rule defined by the Law.

CHAPTER 4. CHARTER CAPITAL OF THE COMPANY

Article 28. Charter Capital of the Company. Shares in the Charter Capital of the Company

1. The Charter Capital of the Company is made up of the value of the contributions by its Participants.

The Charter capital determines the minimum amount of the property of the Company guaranteeing the interests of its creditors. The amount of the Charter Capital of the Company must not be less than 50-fold of the minimum salary determined at the time of submitting the documents for the state registration of the Company.

2. The nominal values of the Charter Capital of the Company and contributions of the Participants are denominated in AMD.

3. The sizes of the Company Participants' shares are determined by percentage or by shares. The size of the share of the Company Participant must be appropriate to the ratio of the nominal value of his/her share and the Charter Capital of the Company.

4. By the Charter of the Company, the size of the share of the Company Participant could be restricted. By the Charter of the Company the possibility for changes in the ratio of the shares of the Company Participants could be restricted. The specified provisions could be envisaged by the Company Charter, or removed from the Company Charter at the moment of creation upon the unanimous decision by the General Meeting of the Company Participants.

Article 29. Deposits in the Charter Capital of the Company

1. Money, securities, other property or property rights, as well as other rights with monetary valuation, can be deposited in the Charter Capital of the Company.

2. Monetary valuation of non-monetary deposits by the Company Founders (Participants) or third parties accepted to the Company shall be approved by a unanimous procedure of the General Meeting. If the nominal value (increase of the nominal value) of the share paid through non-monetary contribution by the Company Participant is more than 500-fold of the minimum salary set at the time of submitting the documents for the state registration of the Company, such a contribution must be evaluated by an independent evaluator (an auditor). The law or the Company Charter could specify types of property, which cannot be contributed in the Company Charter Capital.

3. In case, when the Company's right to use the property has been terminated before the end of the period when the property was transferred to it by the right of use as investment in the Company Charter Capital, the Company Participant who transferred the property at the request of the Company is obligated to give financial recovering to the Company, which is equal to payment for the right of use of property for the left time and for the similar property use with similar conditions. Another procedure for providing financial recovering may be envisaged by the Contract on the Company Foundation. Financial recovering must be provided by the one time procedure within reasonable time periods after submitting such a request, unless otherwise determined at the Company Participants General Meeting. This kind of decision must be adopted by the General Meeting of the Company Participants, without taking into account the votes of the Participant whose rights of use of property contributed to the Company had been terminated ahead of time. The Contract on Company Founding may provide for another procedure of providing financial recovering.

Article 30. Procedure of Investing Contributions in the Charter Capital of the Company

Each founder of the Company must make his/ her full contribution in the Charter Capital of the Company within time periods envisaged under the Contract on Company Foundation, which shall not be longer than one year after the state registration of the Company. The nominal value of the contribution of each founder must not be less than the nominal value of his/ her share. The founder of the Company shall not be released from the duty of making the contribution, including offsets of his/ her commitments towards the Company. As of the state registration of the Company, at least half of the Charter Capital of the Company must be paid in.

Article 31. Increase of the Charter Capital of the Company

1. Increase of the Charter Capital of the Company is possible after its full paying in.

2. Increase of the Charter Capital of the Company could be made due to the Company's property or due to the additional compositions of the Participants, or if not prohibited by the Charter Capital, due to the third parties' contributions.

Article 32. Increase of the Charter Capital of the Company due to its Property

1. Increase of the Charter Capital of the Company due to its property shall be implemented by the General Meeting, based on at least two third of the total of the Company Participants' votes, unless more votes for making such a decision are stipulated by the Company Charter.

2. In case of increasing the Charter Capital of the Company due to Company's property, the Company shall accordingly increase the nominal value of its Participants' shares without changing its size.

Article 33. Increase of the Charter Capital of The Company Due to Additional Contributions by its Participants and by Third Parties Entering into the Company

1. Having at least the two third of the Company Participants' votes, the General Meeting could decide to increase the Charter Capital through making additional contributions by the Company Participants, unless the Company Charter envisages more votes for making such a decision. This decision must specify the total value of additional contributions, as well as the ratio of the value of additional contribution and that amount of all the Participants, by which the nominal value of his/ her share is increased.

Additional contributions must be invested within one year after the relevant decision is made, unless a shorter period is envisaged under the Company Charter or decided by the General Meeting. No later than one month after the terms of making additional contributions the General Meeting must make a decision regarding the results of additional contributions and making amendments to in the Company Charter, the increase in the Charter Capital of the Company and in the nominal values of the shares of the Company Participants who have made additional contributions to the Company, and if necessary, changes in the sizes of the shares of the Company Participants. The nominal value of each Participant who has made additional contribution shall be increased according to the ratio specified in the first part of the present paragraph.

Documents related to the amendments to the Company Charter according to the present paragraph, as well as documents approving additional contributions must be submitted to the body registering legal entities within one month following the day of approving the results of additional contributions and introducing relevant changes in the Company Charter.

2. Based on the application of the Company Participant, the General Meeting can make a decision on increase of the Charter Capital of the Company due to additional contribution by that Participant. The decision must be issued unanimously by the Company Participants. The size and composition of the contribution, the procedure and deadlines of investment, as well as the size of the share, which the participant would have, shall be indicated in the Charter Capital of the Company. The application of the Company Participant shall there must be mentioned the application may also contain other conditions for contributions.

Concurrently with the acceptance of a decision on the increase in the Charter Capital of the Company, which is adopted on the basis of the Participant application to make additional contribution, a decision on making changes to the Company Charter must be made that is connected with the increase in the size of the Charter Capital of the Company, in the nominal value of the share of the Company Participant(s) making the additional contribution, and, if necessary, changes connected with changes in the sizes of the shares of the Company Participants as well. The nominal value of the share of the Company Participant applying for making additional contribution increases in the amount equal to or less than the amount of additional contribution made by him/ her.

The General Meeting may make a decision on increase of the Charter Capital of the Company based on the application of the third party according the rules defined in the first part of the present paragraph through his/her affiliation to the Company, if it is not prohibited by the Company Charter.

Article 34. Reduction of the Charter Capital of the Company

1. The Company has a right and in the cases stipulated in the present Law shall be obliged to reduce its Charter Capital. Reduction of the Charter Capital of the Company could be implemented through reducing the nominal values of the shares belonging to all Company Participants or (and) redeeming the shares belonging to the Company.

The Company has no right to reduce its Charter Capital, if as a result of that reduction its size will be less than the size of the Charter Capital specified under the present Law.

Reduction in the Charter Capital of the Company through reduction in the nominal value of the shares of all Company Participants must be only implemented through preserving the sizes of the shares of all Company Participants.

2. Where the Charter Capital was not paid in full within one year after the state registration of the Company, the Company shall be obliged either to declare reduction in the Charter Capital till the actual paid size of capital and register reduction in the Charter Capital of the Company according to the rule defined by the present Law, or make a decision on the liquidation of the Company.

3. If at the end of the second or each following financial year the net asset value of the Company is less than Charter Capital, the Company must declare reduction in its Charter Capital and register it according to specified rule.

4. Within 30 days after issuing the decision on reduction in the Charter Capital of the Company, the Company must notify in written form about reduction in the Charter Capital and its new size to all the creditors of the Company known to it, as well as publish information on it through press publishing data on state registration of legal persons. The creditors of the Company has right of demanding an early termination or implementation of obligations of the Company towards them, as well as compensation for losses within 30 days after receiving the written notice.

The registration of Charter Capital amendments related to reduction of Charter Capital is conducted after the expiration of 60 days of adopting decision on those amendments and only in case all the claims of creditor are satisfied according to the procedures provided in the first part of this clause.

5. If in the cases defined in Clause 3 of the present Article the Company does not manage to make a decision on reduction in Charter Capital or liquidation of the Company within one month, the creditors shall have the right of demanding an early termination or implementation of obligations of the Company towards them, as well as compensation of losses incurred to them.

CHARTER 5. MANAGEMENT OF THE COMPANY

Article 35. Bodies of the Company

1. The highest body of the Company shall be the General Meeting of the Company Participants. The General Meeting of the Company Participants could be regular or extraordinary. All Company Participants shall have right of being present at the General Meeting, participate in discussions of agenda issues and vote for making decisions. Restrictions of the rights of the Participants stipulated in the provisions of the Contract of Company Founding or in the Charter or Company Bodies under the present paragraph shall be invalid. Each Company Participant has a number of votes in the General Meeting relevant to his/ her share in the Charter Capital of the Company.

2. The Company Charter can stipulate formation of a Council. The Company Charter in accordance with the present Law defines the authorities of the Council. The Company Charter defines the rule of forming the Council and its activities, the procedure of terminating the authorities of its members and the authorities of the Chairman of the Council. Upon decision of the General Meeting of the Company Participants could be given bonuses and (or) reimbursed the expenses made for execution of their duties during the period of holding the offices. The sizes of the bonuses and reimbursements are specified by decision of the General Meeting.

3. The person implementing functions of an executive body of the Company, the Council members, who are not the Company Participants, can participate in the General Meeting of the Company Participants with the right of an advisory vote.

4. The member of the Council cannot transfer the right of an advisory vote to other persons, including another member of the Company Council.

5. The Executive Body of the Company shall implement the management of the current activities of the Company. The Executive Body of the Company is accountable to the General Meeting and the Company Council, if formation of Company Council is stated by the Company Charter.

6. By the Company Charter formation of a Supervisory commission of the Company could be stipulated (election of controller). It is mandatory to form a supervisory commission in companies having more than twenty Participants. A member of the Supervisory commission of the Company (controller) may be also a person who is not the Company Participant. The functions of the Supervisory commission of the Company, if it is stipulated by the Company Charter, could be performed by an auditor approved by the General Meeting, who has no any property interests with the Company, members of the Council of the Company, the person performing functions of an executive body of the Company and the Company Participants.

7. A member of the Council of the Company and the executive body of the Company cannot be a member of the Supervisory commission of the Company.

Article 36. Authorities of the General Meeting

1. Authorities of the General Meeting of the Company Participants are determined in the Company Charter in accordance with the present Law.

2. The exclusive authorities of the General Meeting of the Company Participants are:

- a) determination of the main directions of the Company's activities, as well as issues relating to founding organizations or their participation;
- b) changes in the Company Charter and in the size of the Charter Capital;
- c) formation of executive bodies of the Company and early termination of their duties, as well as issues relating to assigning the authorities of the executive body of the Company to a commercial organization or individual entrepreneur (hereinafter manager);
- d) selection of the supervisory commission (auditor) and early termination of the authorities;
- e) approval of annual reports and annual balance sheet;
- f) issuing decision on distribution of the profit among the Company Participants;
- g) acceptance (approval) of documents regulating internal activities of the Company (internal documents of the Company);
- h) adoption of decision on issuing securities by the Company;
- i) adoption of decision on the auditing of the Company;
- j) adoption of decision on restructuring and liquidation of the Company;
- k) appointment of the liquidation commission and receipt of the liquidation balance;
- l) solution of other issues envisaged by the present Law.

The issues assigned to the exclusive authority of the Company may not be transferred for decision of the Council of the Company and the Executive Bodies of the Company except in the cases stipulated in the present Law.

Article 37. Regular General Meeting

Regular General Meeting is held within the time periods specified in the Company Charter, but not less than once a year. The executive body of the Company requests Regular General Meeting.

Time periods of meeting approving the annual outcomes from the Company activities must be defined by the Company Charter. The mentioned meeting must be held no earlier than 2 months before and no later than 6 months after the end of the financial year.

Article 38. Extraordinary General Meeting

1. Extraordinary General Meeting is held in the cases stipulated in the Company Charter, as well as in all other cases when it is demanded by the interests of the Company and its Participants.

2. Extraordinary Meeting of the Company Participants is requested by the executive body of the Company.

3. Extraordinary General Meeting is convened and held according the rule of convening and holding regular General Meeting defined by the present Law.

Article 39. Procedure of Convening General Meeting

1. The body or the persons convening the General Meeting shall be obliged to notify all Participants about the date of the meeting no later than 20 days before it through sending registered letters to the Company Participants at the address mentioned in the list of the Company Participants.

2. In the notification, time and place of holding the General Meeting must be mentioned, as well as the proposed agenda. Any Company Participant has the authority to propose additional issues for involving them into the agenda for the General Meeting no later than 10 days before it. Except for the issues not relating to the authorities of the General Meeting or not relevant to the requirements of the Law, additional issues shall be included in the agenda of the General Meeting.

The body or the persons convening the General Meeting shall not have an authority to change the formulations of the additional issues proposed for enlisting in agenda for the General Meeting.

In case, when changes are made in the initial version of the agenda of the General Meeting based on the proposal of the Company Participants, the body or the persons convening the General Meeting shall be obliged to notify all Company Participants about agenda changes no later than 5 days before the meeting according to the rule specified by 1 paragraph of the present Article.

3. During preparation of the agenda of the General Meeting, as the information and materials to be submitted to the Company Participants are classified annual report of the Company, the conclusion of the Supervisory commission (controller) and auditor on the results of check-ups of the annual report and yearly accounting balances, information about the candidate(s) in the Executive body, the Council and Supervisory Commission of the Company, draft of changes and additions of the Company Charter, or the draft of the Company Charter in new edition, draft of the of internal documentation of the Company as well as any information (materials) stipulated by the Company Charter, if the above-mentioned issues are enlisted in the agenda of the General Meeting. The mentioned information and materials must be submitted to all Company Participants within twenty days before holding the General Meeting for the purpose to view them in the building of the Executive body of the Company. The Company must provide the Company Participant with the copies of the documents at his/her request. The fee charged for provision of the copies must not exceed the cost of their preparation.

Unless any other procedure for providing the Company Participants with the information and materials is stipulated in the Company Charter, the body or the persons convening the General Meeting of the Company Participants is obligated to send them the information and materials, as well as a notification on holding the General Meeting, and in case of changes in the agenda the relevant information and materials are sent with the made changes notification.

4. Upon a unanimous decision of the General Meeting a procedure more simple than the one envisaged under the present Article for convening the General Meeting could be defined.

Article 40. Procedure for Holding General Meeting and Making Decisions

1. The General Meeting is conducted in a procedure defined by the present Law, the Charter and internal documents of the Company. The procedure for conducting the General Meeting, which is not regulated by the present Law, the Charter and internal documents of the Company, shall be defined by a decision of the General Meeting.

2. Before opening of the General Meeting, registration of the attended participants shall be conducted.

The Company Participants shall be authorized to participate at the meeting personally or through their representatives. Representatives of the Company Participants must submit documents confirming their vested

authorities. The letter of authorization given to the representative of the Company participant must include information about the represented and representing persons (name, designation, address or place of location, passport data). It must be formulated in compliance with requirements of the RA Civil Code.

Non-registered Company Participant (representative of the Company Participant) shall not be authorized to participate in voting.

3. The General Meeting shall be opened at the time fixed in the notification on Conducting the General Meeting or earlier, if all Company Participants have been registered.

4. The Executive Body of the Company shall organize proceeding of the General Meeting. The proceedings of all General Meetings are filed in a general register, which must be presented in any time to any participant wishing to review it. At the request of Company Participants, they are provided with extracts from general register of the proceedings authenticated by the Executive Body of the Company.

5. The General Meeting shall be eligible, if more than half of participants holding votes take part in it. Decisions related to the issues mentioned in sub-clauses "b" and "j", Clause 2, Article 36 shall be adopted by all Company Participants as well as other issues envisaged by the Company Charter shall be adopted by at least 2/3 of the total number of votes of the Company Participants, if no other requirement for greater number of votes for adoption of a particular decision is envisaged the Charter of the Company.

All other decisions shall be adopted by the majority of votes of the general number of Company Participants if no other requirement for greater number of votes to adopt a particular decision is envisaged by the present Law or the Company Charter.

6. Decisions of the General Meeting shall be adopted by open voting, if no other procedure for adoption of decisions is envisaged by the Company Charter.

Article 41. Decisions of General Meeting Adopted through Distant Voting (by Inquiry)

1. A decision of the General Meeting may be adopted without holding a meeting (without the joint presence of Company Participants with the purpose of considering agenda and adopting decisions related to the issues by voting) through a distant voting (by inquiry). Such a voting may be held by exchange of documents through registered mail, telex, facsimile, telephone, electronic or other means of communication, which provide validity and documentary confirmation of exchanging messages.

Terms envisaged in 1, 2 and 3 paragraphs, Article 39, of the present Law shall not be enforced during distant voting (inquiry) of a decision of a General Meeting.

The procedure of distant voting is defined by internal documents of the Company, which must include a mandatory notification of the proposed agenda to all Company Participants, an opportunity for Company Participants to get familiar with all required information and materials before the voting starts, a mandatory notification of the amended agenda to all Company Participants before the voting starts, as well as the closing time of the voting procedure.

Article 42. Adoption of a Decision on Issues Related to the Competence of General Meeting of the Company Participants by the Single Participant of the Company

1. In a Company with one participant, decisions on issues related to the competence of General Meeting is adopted by the single participant personally and laid down in written form. In this case the provisions envisaged by Articles 37-41 and 45 of the present Law shall not be enforced, with the exception of provisions related to the dates of holding general annual meetings of the Company Participants.

Article 43. The Executive Body of the Company

1. The Executive Body of the Company (General Director, President, etc) is elected by the General Meeting for the term defined by the Charter of the Company. The Executive Body of the Company may also be elected from non-Company Participants.

The contract between the Company and the person implementing functions of the Executive Body of the Company is signed on behalf of the Company by either the person implementing functions of the Executive Body of the Company elected to chair the General Meeting or by the person authorized by the General Meeting of Company Participants.

2. The role of the Executive Body may be undertaken only by a natural person, with the exception of the case envisaged by Article 44 of the present Law.

3. The Executive Body of the Company:

- a) acts on behalf of the Company without a letter of authorization, including representing interests of the Company and concluding deals;
- b) issues letters of authorization for the right of representing the Company, including letters of re-authorization;
- c) issues orders on appointment, transfer to another post or dismissal of the Company employees, applies incentives and assigns disciplinary penalties;

d) implements other rights non-delegated by the present Law or the Company Charter to the General Meeting and the Council of the Company.

4. The procedure for activities of the Executive Body of the Company and for adoption of decisions by it is defined by the Charter of the Company, internal documents, as well as contracts signed between the Company and the person implementing functions of the Executive Body of the Company.

Article 44. Delegation of Authorities of the Company Executive Body to the Manager

1. The Company is legitimate to delegate authorities of its Executive Body to the Manager through a contract, if there are such possibilities stipulated in the Company Charter.

The person authorized by the General Meeting of the Company signs contract with the Governor on behalf of the Company.

Article 45. Appellation of Decisions of the Company Management Bodies

1. A decision of the General Meeting adopted with violation of requirements of the present Law, other legal acts as well as the Company Charter or violation of the rights and legal interests of the Company participant may be declared invalid at court based on the Company participant's claim. Such a claim may be submitted within two-months starting

from the day when the Company participant has learnt or was obliged to learn about adoption of such a decision.

2. The decision of the Council of the Company, the Executive Body of the Company or a Manager adopted with violation of requirements of the present Law, other legal acts as well as the Company Charter and violation of the rights and legal interests of the Company or the Company Participants may be declared invalid at court based on the Company participant's claim.

Article 46. Responsibilities of Members of Council and Executive Body of the Company

1. Members of the Council and the Executive Body of the Company must act to the benefit of the Company while exercising their rights and implementing their duties in an honest and reasonable manner.

2. Members of the Council and the Executive Body of the Company are responsible for the loss caused to the Company by their fault, unless the law envisages other grounds and degree of responsibility. Nevertheless, members of the Council who voted against the decision resulting in the damage for the Company or who did not participate at voting shall not bear any responsibility.

3. The Company or its participant has a right to apply to the court with a claim to compensate the loss of the Company caused by a member of the Council and the Executive Body of the Company.

Article 47. Interest in Concluding Deals of the Company

1. The deals in the performance of which a member of the Council, the person implementing functions of the Executive Body or a Company participant has an interest and who have twenty or more per cent of the general number of votes of Company Participants may not be concluded without the consent of the General Meeting. The above-mentioned persons are considered to be interested in concluding the deals by the Company in cases if they or their spouses, parents, children, brothers, sisters, hereinafter related persons:

a) are a party of the deal or represent interests of a third party in their relationships with the Company;

b) own twenty or more per cent of the shares (holding, securities) of the legal entity acting as a party of the deal or representing interests of a third party (individually or jointly);

c) hold positions at management bodies of the legal entity acting as a party of the deal or representing interests of a third party;

d) in other cases as envisaged by the Company Charter.

2. The decision of the Company on deal performance, where are interested motives involved, is adopted by majority of general number of votes of participants not interested in deal performance through the General Meeting.

3. The deal performance, where are interested motives involved, shall not require decision by the General Meeting envisaged by 2 paragraph of the present Article in cases, when the deal is concluded between the Company and the counterpart within the framework of daily economic activities carried out till the point when the interested person is recognized as such in accordance with 1 paragraph of the present Article (the decision is not required until the next General Meeting).

4. The deal, where are interested motives involved, which has been realized with a violation of requirements envisaged by the present Article is recognized invalid by the Company or its participant suit.

5. The present Article is not applied for companies comprising one participant, who implements functions of the Executive Body of the Company.

Article 48. Large Transactions

1. A large transaction is a transaction or a number of inter-related transactions which are, directly or indirectly, related to purchase, sale or a possibility for sale of a property by the Company, the value of which amounts to more than 25 % of the Company charter capital as at the day of adopting the decision, if no greater size of major deal is envisaged by the Company Charter. The transactions performed within the daily economic activities of the Company shall not be considered to be major.
2. A decision on making a large transaction is adopted by the General Meeting.
3. In case of formation of the Company Council, adoption of decisions on implementing large transactions related to Company's direct or indirect purchase, sale or a possibility for sale of a property at the value equal to 20-50% of its charter capital, could be passed to the authority of the Company Council by the Company Charter.
4. The transaction made with violation of the requirements of the present Article could be recognized invalid by a court decision.
5. It may be envisaged by the Company Charter that no decision of the General Meeting or the Company Council is required for performance of large transactions.
6. The present Article is not applied for companies with only one participant implementing functions of the Executive Body.

Article 49. The Audit Committee of the Company (the Auditor)

1. The Audit Committee (auditor) of the Company is elected by the General Meeting for the term defined by the Company Charter. The number of members of the Audit Committee of the Company is determined by the Company Charter.
2. The Audit Committee (auditor) of the Company has right to hold an audit of the financial-economic activities of the Company and get familiar with all documents related to the Company activities at any time. The members of the Council of the Company, the person implementing functions of the Executive Body, as well as employees of the Company is entitled to give required explanations in a written or oral form, at the request of the Audit Committee.
3. The Audit Committee (auditor) of the Company is obligated to hold an audit of the Company annual reports and accounting balance sheets before the latter are approved by the General Meeting. The General Meeting has no right to approve annual reports and accounting balance sheets of the Company in case of the absence of the Audit Committee's (auditor's) conclusion.
4. The working procedure of the Audit Committee (auditor) of the Company is determined by the Charter and other documents of the Company.
5. The present Article shall be applied in cases when creation of the Audit Committee of the Company or election of the auditor is envisaged by the Charter of the Company or is mandatory pursuant to the present Law.
6. The audit of the Annual Financial Report of the Company may be performed also upon the request of any of its participants.

CHAPTER 6. RESTRUCTURING AND LIQUIDATION OF THE COMPANY

Article 50. Reorganization of the Company

1. The Company may be restructured voluntarily by the decision of the General Meeting. The Company could be restructured by the court only in cases and through a procedure stipulated by the law.
2. The Company could be transformed into a joint stock Company.
3. Reorganization of the Company shall be performed in a procedure and under conditions defined by the RA Civil Code.

Article 51. Liquidation of the Company

1. The activities of the Company are terminated with the Company liquidation without transfer of authorities and duties to other persons through legal succession procedure.
2. The Company could be voluntary liquidated by a decision of the General Meeting. The Company could be liquidated by enforcement through judicial rule only in cases and in a procedure determined by Law. The Company may be also liquidated due to bankruptcy.
3. The liquidation of the Company is performed in a procedure and under circumstances determined by RA Civil Code.

CHAPTER 7. TRANSITION PROVISIONS

Article 52. Transition Provisions

1. The present Law shall come into force from the moment of official publication.
2. The norms of the present Law shall apply till modification the Charters of Companies to comply with the norms of the present Law, if there are such differences.
3. The provisions of the present Law shall govern those relations, which could be regulated by the Company Charter according to the present law, whereas the Company charters do not involve provisions of their regulations.
Relations mentioned in this paragraph could be also regulated by the General Meeting through the approved decisions by 2/3 of general number of participants' votes.
4. Before establishment of press publishing information on state registration of legal persons, information stipulated by clause 4, Article 34 of this Law shall be published by any press with at least 1000 circulation.

November 21, 2001