

LAW OF THE REPUBLIC OF ARMENIA

Adopted on 25 September 2001

ON JOINT STOCK COMPANIES

CHAPTER I

GENERAL PROVISIONS

Article 1. Objectives and scope of the Law

1. In accordance with the Civil Code of the Republic of Armenia (hereinafter referred to as “the Code”), this Law shall define the legal status, the procedure for establishment, implementation and termination of activities of joint stock companies, the rights and obligations of shareholders, and shall ensure the protection of the rights and lawful interests of shareholders and creditors.
2. This Law shall extend to joint stock companies already established or being established in the Republic of Armenia.
3. The activities of joint stock companies shall be regulated by the Code, this Law, other laws and legal acts.
4. The specific aspects of the procedure for establishment, reorganisation and liquidation and of the legal status of banks, credits organisations, joint stock companies in the fields of investment, insurance and in other specific sectors shall be defined in other laws and legal acts.

4.1. The provisions of this Law shall extend to the relations pertaining to investment funds unless other regulations are provided by the Law of the Republic of Armenia "On investment funds".

5. When done with a view to privatisation, the specific aspects of reorganisation of joint stock companies with state-owned stocks, as well as the specific aspects of the establishment and issuance of additional stocks and bonds of such companies, shall be prescribed by laws and other legal acts regulating privatisation (denationalisation).

6. Where international treaties of the Republic of Armenia provide other provisions regulating the activities of joint stock companies than those provided by this Law, the provisions of the treaties shall apply.

7. The following main concepts shall be used in this Law:

(1) nominee — a competent nominee specified in part 1 of Article 197 of the Law of the Republic of Armenia "On securities market". The concept of "nominee" shall include both Armenian and foreign nominees unless otherwise provided by this Law;

(2) Armenian nominee — an Armenian custodian (nominee) specified in part 3 of Article 197 of the Law of the Republic of Armenia "On securities market";

(3) foreign nominee — a foreign custodian (nominee) specified in part 3 of Article 197 of the Law of the Republic of Armenia "On securities market";

(4) registrar — a person keeping a Company's register of shareholders (nominees) in accordance with Article 51 of this Law.

(Article 1 amended, supplemented by HO-366-N of 29 May 2002, supplemented by HO-273-N of 22 December 2010, HO-24-N of 21 December 2015)

Article 2. Legal status of a joint stock company

1. An economic company acting as a commercial organisation the authorised capital whereof is divided into a certain number of stocks certifying the claim rights of shareholders towards the Company shall be deemed to be a joint stock company (hereinafter referred to as "Company").

2. A Company is a legal person and shall have property that is separate from that of its shareholders and is recorded in a standalone balance sheet.

A Company shall have the right to obtain and exercise property and personal non-property rights, hold obligations, and act as a plaintiff or respondent in court on its own behalf.

3. A Company may hold civil rights and civil obligations necessary for exercising any type of activity not proscribed by law.

A Company may engage in certain types of activities, the list of which shall be defined by law, only on the basis of a licence.

4. A Company shall be deemed to be established from the moment of state registration. It shall be established without any time limitations unless otherwise provided by the charter of the Company.

5. A Company shall have the right to open bank accounts with the banks of the Republic of Armenia and foreign countries as prescribed by law.

6. ***(point repealed by HO-53-N of 19 March 2012)***

7. A Company may have stamps and document forms bearing its trade name, as well as a logo and trademarks, commercial and other marks that are registered as prescribed by law.

(Article 2 amended by HO-40-N of 26 December 2008, HO-53-N of 19 March 2012)

Article 3. Liability of a Company and other persons

1. A Company shall be liable for its obligations with all its property.
2. A Company shall not be liable for the obligations of its shareholders.
3. The shareholders of a Company shall not be liable for the obligations of the Company and shall bear the risk of damage in relation to the activities of the Company to the extent of the value of the stocks belonging to them.
4. Where the insolvency (bankruptcy) of a Company is caused by actions (omissions) of shareholders or other persons who have the right to give binding instructions to the Company or have possibilities to determine the activities of the Company in any other way, these shareholders or other persons may be exposed to additional (subsidiary) liability for the obligations of the Company if the property of the Company is not sufficient to cover those.

The insolvency (bankruptcy) of a Company shall be deemed to be caused by actions (omissions) of shareholders or other persons mentioned above only if they have used said right or possibilities to compel the Company to carry out or not to carry out certain actions with prior knowledge that it would lead the Company to a state of insolvency (bankruptcy).

5. The Republic of Armenia and communities shall not be liable for the obligations of a Company. In its turn, a Company shall not be liable for the obligations of the Republic of Armenia and communities.

Article 4. Name and principal place of business of a Company

1. A Company shall have a trade name in the Armenian language containing a proper, common and/or other name of a distinctive quality and featuring the words “open joint stock company” or “closed joint stock company”.

The trade name of a Company may also contain words describing the activities of the Company, the name of its principal place of business, as well as other information deemed to be necessary by the Company or its founders.

2. A Company may also have its full trade name and/or its abbreviation in other languages.

3. The procedure for registration, use and legal protection of the trade name of a Company shall be defined by laws and other legal acts.

4. The principal place of business of a Company shall be the place where the permanently functioning body — one of the executive bodies prescribed by the charter — of a Company is located. When undergoing state registration, a Company shall be registered at its principal place of business.

5. A Company may have a mailing address for communication purposes. Delivery of mail and other correspondence to the mailing address or principal place of business of a Company shall be deemed to be due delivery.

Article 5. Branches and representative offices of a Company

1. A Company shall have the right to establish separate subdivisions, i.e., branches and representative offices, in accordance with law and other legal acts.

A separate subdivision of a Company located outside the Company's principal place of business, which performs all or part of the Company's functions, including representative functions, shall be deemed to be a branch of the Company.

A separate subdivision of the Company located outside the Company's principal place of business, which represents and protects the Company's interests, shall be deemed to be a representative office of the Company.

The establishment of separate subdivisions of a Company in foreign countries shall be implemented in accordance with the laws and other legal acts of those countries unless otherwise provided by the international treaties of the Republic of Armenia.

2. Decisions on founding separate subdivisions of a Company shall be adopted by the board of directors (observer board) of the Company (hereinafter referred to as “the board”). A separate subdivision of a Company shall be deemed to be established from the moment an appropriate decision is adopted.

3. Branches and representative offices of a Company shall not be considered legal persons and shall act on the basis of charters approved by the Company. Branches and representative offices shall be provided with property by the establishing Company.

The property of branches and representative offices shall be recorded both in their separate balance sheets and in the balance sheet of the Company.

The heads of branches and representative offices shall be appointed by the Company and act based on the letters of authorisation issued by it.

4. The charter of a Company may contain information on separate subdivisions.

5. The branches and representative offices shall act on behalf of the establishing Company. The liability for the activities of branches and representative offices shall rest with the Company which established them.

Article 6. Institutions of a Company

1. A Company shall have the right to establish institutions in accordance with laws and other legal acts.

An organisation established by a Company to implement administrative, social-cultural, educational activities or other activities of non-commercial character shall be deemed to be an institution of the Company.

The establishment of institutions in foreign countries shall be implemented in accordance with the laws and other legal acts of those countries unless otherwise provided by the international treaties of the Republic of Armenia.

2. Decisions on establishing institutions of a Company shall be adopted by the board. An institution of a Company shall be deemed to be established from the moment an appropriate decision is adopted.

3. Institutions of a Company shall not be considered legal persons and shall act on the basis of charters approved by the Company.

Institutions shall be provided with property by the establishing Company. An institution shall possess, use and manage said property within the limits prescribed by law and in accordance with the objectives of its activity, tasks assigned by the Company and the purpose of the property attached to it. The property of an institution shall be recorded both in its separate balance sheet and in the balance sheet of the Company. Heads of an institution shall be appointed by the Company.

4. The charter of a Company may contain information on institutions.

5. Institutions shall act on behalf of the establishing Company. The liability for the activities of institutions shall rest with the Company which established them.

Article 7. Daughter and dependent companies

1. A Company shall have the right to have daughter and dependent economic companies with the status of a legal person. The establishment of or participation in daughter and dependent companies in foreign countries shall be carried out in accordance with the laws and other legal acts of those countries, unless otherwise provided by the international treaties of the Republic of Armenia.

2. A company shall be deemed to be a daughter company if another (parent) company or partnership has, due to its prevailing participation in the authorised

capital of the former company or in accordance with an agreement concluded between the two or in any other manner not proscribed by law, the possibility to determine the decisions of the former company.

A company shall be deemed to be dependent on another (parent) company or partnership if the latter (dominant, participating) company or partnership owns more than 20 percent of voting stocks in the dependent company.

3. If a company is deemed to be a daughter or dependent company of another company, which, in its turn, is a daughter or dependent company of a third economic company or partnership, the first company shall be identified as a daughter or dependent company of the third company as well. This provision shall apply to all consecutive cases of relationships emerging at a later point between the parent economic company (partnership) and daughter or dependent company.

4. A daughter company shall not be liable for the obligations of the parent company (partnership).

A parent company (partnership) having the right to give binding instructions to a daughter company shall be jointly liable for the execution of the transactions concluded in pursuance of its instructions.

A parent company (partnership) shall be deemed to have the right to give binding instructions to the daughter company if that right is fixed in an agreement concluded between the two or emerges in any other manner not proscribed by law.

5. Shareholders (participators) of a daughter company shall have the right to demand that the parent company (partnership) compensate for any damage caused to the daughter company by the fault of the parent company (partnership).

Damage shall be deemed to have been caused by the fault of a parent company (partnership) where that damage has occurred as a result of execution of binding instructions given by the parent company (partnership).

6. If a daughter company becomes bankrupt by the fault of a parent company (partnership), the parent company (partnership) shall be subsidiarily liable for the debts of the daughter company. The bankruptcy of a daughter company shall be deemed to have been caused by the fault of a parent company (partnership) if such bankruptcy has occurred as a result of execution of binding instructions given by the parent company (partnership).

7. In cases provided by points 4 to 6 of this Article, the parent company (partnership) shall be held liable if it knew or could have known that such consequences could occur.

8. An economic company or partnership which has acquired more than 20 percent of the authorised capital of a limited liability company or of the voting stocks of a joint stock company shall be obliged to publish information about it as prescribed by law.

Article 8. Types of Companies

1. Companies may be open or closed, which must be reflected in the charter and trade name of the Company.

2. A Company shall be deemed to be open if its shareholders have the right to alienate stocks belonging to them without the consent of the other shareholders. Such Company shall have the right to conduct public offering of stocks issued by it and conduct their free sale under the conditions established by laws and other legal acts. An open Company may also conduct a private offering of shares issued by it.

The number of shareholders within an open Company shall not be limited.

An open Company that does not have a fixed capital and the capital whereof is, at any given moment, equal to the value of its net assets, shall be deemed to be a Company with variable capital. Only open corporate investment funds may be established in the legal organisational form of a Company with variable capital. The specific aspects

of a Company with variable capital shall be defined by the Law of the Republic of Armenia "On investment funds". The provisions of this Law relating to the changes in the authorised capital of a Company shall not extend to Companies with variable capital.

3. A Company shall be deemed to be closed if the stocks of the Company are distributed only amongst its shareholders (including founders) or other persons determined beforehand. A closed Company shall not have the right to conduct public offering of stocks issued by it or otherwise offer such stocks to an unlimited number of persons.

A closed Company must have no more than 49 shareholders. Where the number of shareholders exceeds 49, the Company shall either be restructured or accordingly reduce the number of its shareholders within one year. Otherwise, the Company must be liquidated through judicial procedure.

A shareholder of a closed Company shall have a preferential right to acquire stocks being sold by other shareholders of that Company. If none of the shareholders benefits from their preferential right within the time limits provided by the charter of the Company, the Company shall have the right to acquire these stocks at a price agreed upon with the owner. If the Company refuses to acquire the stocks or does not reach an agreement on their price, the stocks may be alienated to a third person. The decision that the Company will acquire stocks or reject them shall be adopted by the Company's general meeting of shareholders (hereinafter referred to as "the meeting"), unless otherwise provided by the charter of the Company.

The procedure and time limits for exercising the preferential right to acquire stocks sold by shareholders of a closed Company shall be defined by the charter of the Company. The time limit for the preferential right may not be less than 30 days and more than 60 days after the stocks are offered for sale.

(Article 8 supplemented by HO-273-N of 22 December 2010)

CHAPTER II
ESTABLISHMENT, REORGANISATION AND
LIQUIDATION OF A COMPANY

Article 9. Establishment of a Company

A Company may be established through foundation of a new Company or reorganisation of an existing legal person (consolidation, division, separation, restructuring). A Company shall be deemed to be established from the moment of its state registration.

Article 10. Foundation of a Company

1. The establishment of a Company by way of foundation shall be carried out by the decision of the founding meeting of the Company.

A Company may be established by one person or composed of one person if all the stocks of the Company have been acquired by one shareholder, information whereon must be contained in the charter of the Company, be registered and published. If a Company is founded by one person, that person shall adopt an individual decision on the foundation of the Company (in writing).

2. The founders of a Company shall conclude a written agreement on establishment of a Company which shall contain:

(a) information on the founders:

- for natural persons — personal name, passport data, place of residence, telephone number and other contact details;

- for legal persons — full trade name, state registration data, principal place of business (mailing address), personal name of the head or representative of the legal person, telephone number and other contact details;
- (b) the procedure for the joint activities of the founders in relation to the establishment of the Company;
- (c) the amount of the authorised capital of the Company;
- (d) the types and classes of stocks to be allocated amongst the founders, the amount of and procedure for their payment;
- (e) the number of stocks acquired by each founder;
- (f) the rights and responsibilities of founders in relation to the establishment of the Company;
- (g) the personal name of the natural person authorised to represent the founders before the founding meeting of the Company takes place;
- (h) distribution, amongst the founders, of liability for obligations emerging as a result of the activities of the founders in the process of the establishment of the Company in case the establishment of the Company is deemed to be failed or the founding meeting does not approve the activities of the founders;
- (i) the procedure for reimbursing the founders for the payments they made for stocks in case the establishment of the Company is deemed to be failed or the founding meeting does not approve the activities of the founders.

The agreement on establishment of a Company shall not be deemed to be a founding document.

3. At the time of establishment of a Company, all of its stocks shall be allocated amongst the founders.

4. The establishment of a Company with stocks owned by the Republic of Armenia or a community shall be carried out either by the decision of the Government or by the decision of the head of the relevant community with the consent of the council of elders.

Article 11. Founders of a Company

1. Natural persons and legal persons having adopted a decision on founding a Company may be founders of the Company, except for those whose participation in the Company is prohibited or limited by law.

2. The Republic of Armenia and communities may be shareholders of a Company on the same basis as citizens and legal persons. State or local self-government bodies shall not have the right to act as shareholders of a Company.

3. Founders of a Company shall be jointly liable for the obligations arising in relation to the establishment of the Company before its state registration.

A Company shall be held liable for the obligations of its founders related to its establishment only if the activities of the founders relating to its establishment are approved by the meeting.

4. Foreign persons may establish and join a Company on the same terms as citizens and legal persons of the Republic of Armenia. The specific aspects of the establishment and implementation of the activities of Companies with participation of foreign persons shall be defined by laws and other legal acts.

Article 12. Founding meeting of shareholders of a Company

1. The founding meeting of shareholders of a Company (hereinafter referred to as "the founding meeting") shall be convened within three months after the stocks have been placed and the shareholders have made the payments for the stocks.

2. The quorum of the founding meeting shall be deemed present where 3/4 of the votes of the owners of placed stocks and of the shareholders participate in said meeting.

3. The founding meeting shall:

(a) approve the results of the placement of stocks;

(b) adopt a decision on founding the Company;

(c) approve the amount of the authorised capital of the Company (hereinafter referred to as “the authorised capital”);

(d) approve the charter of the Company;

(e) elect the board of the Company;

(f) elect the control committee (controller) of the Company;

(g) establish an executive body or appoint an acting head of the executive body;

(h) hear the report of the founders and/or the person authorised by them. Decisions on matters defined under sub-points (a), (c) and (h) of this point shall be adopted by a 3/4 vote of the participants of the founding meeting. Decisions on matters defined under sub-points (b) and (d) of this point shall be adopted by a unanimous vote of the participants of the founding meeting. Decisions on all other matters shall be adopted by a simple majority vote of the participants of the meeting. The founding meeting shall have the right to discuss and adopt decisions also on matters which are reserved to the meeting by the charter of the Company.

4. In the case of foundation of a Company by one person, the written decision of the founder must contain provisions relating to the matters defined under sub-points (a) to (g) of point 3 of this Article.

5. The decision of the Government on foundation of a company with stocks owned by the Republic of Armenia must contain provisions on the foundation of

the Company, as well as on the state administration body (bodies) acting on behalf of the founder and on the package of stocks submitted to each of them for management. The Government may reserve the other powers prescribed by point 3 of this Article for the relevant state administration body (bodies), as well as — as a delegated power — for the head of a community, (hereinafter referred to as "the authorised state body").

6. The decision of the head of a community on foundation of a Company with stocks owned by the community must contain provisions relating to the matters defined under sub-points (a) to (g) of point 3 of this Article.

8. The quorum of a meeting of a Company being established as a result of reorganisation (consolidation, division, separation, restructuring) shall be deemed present where shareholders holding more than 50 percent of votes of owners of stocks placed following the conversion participate therein.

The decisions defined under sub-points (b) and (h) of point 3 of this Article need not be adopted in the founding meeting of a Company established as a result of reorganisation (consolidation, division, separation, restructuring).

The decisions on matters defined under sub-points (a), (c) and (d) of this point shall be adopted by a 3/4 vote of the participants of the founding meeting.

(Article 12 amended by HO-167-N of 9 April 2007, supplemented by HO-40-N of 26 December 2008, HO-119-N of 19 May 2009)

Article 13. Failed establishment of a Company

1. The establishment of a Company shall be deemed to be failed:

(a) if the founding meeting was not convened in the time limit referred to in point 1 of Article 12 of this Law;

(b) if the Company was not registered as prescribed within six months after the decision on founding the Company was adopted;

(c) if the state registration of the Company was rejected (if the rejection was not appealed in court within three months or the appeal was turned down and the decision entered into force).

2. Payments made by founders for stocks of a Company the establishment of which has failed shall be returned to the founders after the liability for the obligations relating to the establishment of the Company has been divided amongst them in accordance with the agreement on establishment of the Company.

Article 14. Charter of a Company

1. The founding document of a Company shall be the charter of the Company (hereinafter referred to as “the charter”). In accordance with this Law, a Company established by a single founder shall function on the basis of the charter approved by that founder. The requirements of the charter shall be mandatory for the shareholders and all the bodies of the Company.

2. The charter shall define:

(a) the Company’s full trade name and its abbreviation;

(b) the principal place of business of the Company;

(c) the amount of the authorised capital;

(d) the types (common, preferred), number, nominal value of stocks and the classes of preferred stocks placed by the Company;

(e) the types (common, preferred), number, nominal value of stocks and the classes of preferred stocks to be placed (authorised) by the Company;

(f) the rights attached to each type and class of stocks;

- (g) the rights of owners of each type and class of stocks;
 - (h) the procedure for forming governance bodies of the Company, their composition and powers, their decision-making procedure, including that for matters the decisions whereon shall be adopted by a unanimous or qualified majority vote;
 - (i) the procedure for preparing for and conducting the meeting;
 - (j) other provisions prescribed by this Law.
3. Upon a shareholder's request, the Company shall, within a period of five days, provide the former with reading access to the charter, amendments and supplements to the charter. Upon the request of that person, the Company shall be obliged to provide the former with a copy of the charter. The fee charged for providing a copy of the charter cannot exceed the cost of making the copy.

Article 15. Making supplements and amendments to the charter Approval of the restated charter

1. Supplements and amendments to the charter shall be made and the restated charter shall be approved by the decision of the meeting, which shall be adopted by a 3/4 vote of the owners of or nominees holding voting stocks participating in the meeting, and in the case of increasing the authorised capital, by a majority vote of the owners of or nominees holding voting stocks participating in the meeting or by the unanimous decision of the board. The charter of a Company may prescribe a larger number of votes for the adoption of decisions on matters provided by this part.
2. Where making supplements and amendments to the charter or approving the restated charter result in restriction of the rights of shareholders, the shareholders having voted against that decision or not having participated in the vote shall have the right to demand that the Company repurchase their stocks as prescribed by Article 58 of this Law.

(Article 15 supplemented by HO-273-N of 22 December 2010, amended by HO-24-N of 21 December 2015)

Article 16. State registration of a Company

A Company shall be subject to state registration by the body implementing state registration of legal persons, as prescribed by the Law of the Republic of Armenia "On state registration of legal persons" and this Law.

Article 17. State registration of supplements and amendments to the charter and of the restated charter

1. The supplements and amendments made to the charter, as well as the approved restated charter, shall be subject to state registration as prescribed by the Law of the Republic of Armenia "On state registration of legal persons" and this Law.

2. For third parties, supplements and amendments to the charter, as well as the approved restated charter, shall enter into force from the moment of their state registration.

Article 18. Reorganisation of a Company

1. Reorganisation of a Company (consolidation, absorption, division, separation, restructuring) shall be carried out by the decision of the meeting.

2. In cases provided by law, reorganisation of a Company by way of division of a Company or separation of several legal persons from the Company shall be carried out by a court judgment. In cases provided by law, reorganisation of a Company by way of consolidation or absorption may only be carried out with the permission of the authorised state body.

3. A Company shall be deemed to be reorganised from the moment of state registration of the newly established legal persons, except for cases of reorganisation by way of absorption.

In the case of reorganisation of Companies by way of absorption of one Company by another, they shall be deemed to be reorganised from the moment of state registration of the termination of the absorbed Company's activity.

4. A Company shall, within 30 days after adopting a decision on reorganisation of the Company, be obliged to provide all its creditors with a written notice thereon. The notice must contain information on the year, month, day the decision on reorganisation was adopted, the type of reorganisation and the participants involved, as well as the legal succession to the Company's obligations.

5. Creditors of a Company undergoing reorganisation shall have the right to demand from the Company — by a written notice and within the following time limits — additional guarantees of performance of obligations, termination or early performance of obligations, as well as compensation for damages:

(a) within 30 days upon the notification on reorganisation by way of consolidation, absorption or restructuring;

(b) within 60 days upon the notification on reorganisation by way of division or separation.

Article 19. Consolidation of companies

1. A consolidation of companies is the establishment of a new company with transfer of the rights and obligations of two or more consolidating companies to the new company, while the consolidating companies terminate.

2. The consolidating companies shall conclude a consolidation agreement. The decision on reorganisation by way of consolidation must be adopted in

the meeting of each consolidating company, which must also approve the consolidation agreement, the transfer act, the procedure and conditions for the consolidation, as well as the procedure for converting the stocks and other securities of each consolidating company into stocks and/or other securities of the company to be newly established.

3. The joint general meeting of shareholders of companies involved in a consolidation shall be deemed to be the founding meeting of the company to be established through the consolidation, which shall be convened by the body and within the time limits specified in the consolidation agreement and shall adopt decisions on the matters referred to in Article 12 of this Law.

4. In the case of consolidation of companies, the rights and obligations of each of them shall, in accordance with the transfer act, be transferred to the newly established company.

5. The consolidation agreement, transfer acts and other necessary documents required by law shall be submitted to the body implementing state registration of legal persons for state registration conditioned by consolidation.

(Article 19 amended by HO-40-N of 26 December 2008)

Article 20. Absorption of companies

1. An absorption of companies is the termination of one or more companies with transfer of their rights and obligations to another company.

2. Companies involved in an absorption shall sign an absorption agreement. The decision on reorganisation by way of absorption must be adopted in the meeting of each company involved in the absorption, which must also approve the absorption agreement, the transfer act, the procedure and conditions for the absorption, as well as the procedure for converting the stocks and other securities of each company being

absorbed into stocks and/or other securities of the company by which they are absorbed.

3. The general meeting of shareholders of a company expanded due to absorption (joint general meeting of shareholders of companies involved in an absorption) shall adopt decisions on making necessary amendments and supplements to the charter of the company expanded due to the absorption, on approving the absorption agreement and the transfer act and, if necessary, on other matters as well.

4. In the case of absorption of companies, the rights and obligations of each of the companies that have been absorbed shall, in accordance with the transfer act, be transferred to the company expanded due to absorption.

5. The absorption agreement(s), transfer act(s) and other necessary documents required by law shall be submitted to the body implementing state registration of legal persons for state registration conditioned by absorption.

Article 21. Division of a company

1. A division of a Company is the termination of a Company with transfer of all of its rights and obligations to the companies to be newly established.

2. The decision on division must be adopted in the meeting of the Company undergoing division, which must also approve the procedure and conditions for the division, the division balance sheet, as well as the procedure for converting the stocks and other securities of the Company being divided into stocks and/or other securities of the companies to be newly established.

3. The charters of companies established due to division shall be approved in the founding meetings of these companies, in which decisions on the matters referred to in Article 12 of this Law shall also be adopted.

4. In the case of division of a Company, its rights and obligations shall be transferred to the newly established companies in accordance with the dividing balance sheet.

5. The dividing balance sheet and other necessary documents required by law shall be submitted to the body implementing state registration of legal persons for state registration conditioned by division. The state registration of the termination of the activity of a Company undergoing division shall be carried out after the state registration of the companies established due to the division.

(Article 21 amended by HO-40-N of 26 December 2008)

Article 22. Separation of a Company

1. A separation of a company is the establishment — without termination of the Company being reorganised — of one or more new companies with transfer of part of the rights and obligations of the Company being reorganised to them.

2. The decision on separation must be adopted in the meeting of the Company being reorganised, which must also approve the procedure and conditions for the separation, the dividing balance sheet, as well as the procedure for converting the stocks and other securities of the Company being reorganised into stocks and/or other securities of the companies to be newly established.

3. The charters of companies being established due to separation shall be approved in the founding meetings of the companies to be newly established, in which decisions on the matters referred to in Article 12 of this Law shall also be adopted.

4. In the case of separation, part of the rights and obligations of the Company shall, in accordance with the dividing balance sheet, be transferred to the newly established companies.

5. The dividing balance sheet and other necessary documents required by law shall be submitted to the body implementing state registration of legal persons for state registration conditioned by separation.

(Article 22 amended by HO-40-N of 26 December 2008)

Article 23. Restructuring of a Company

1. A restructuring of a Company is the change of its legal organisational form.
2. A Company may be restructured into a limited liability company or a commercial cooperative.
3. The decision on restructuring must be adopted in the meeting of the Company being reorganised through restructuring, which must approve the procedure and conditions for restructuring, the procedure for converting the stocks and other securities of the Company being reorganised through restructuring into stocks (shares, units) and/or other securities of the legal person to be newly established, as well as the transfer act.
4. The charter of a legal person to be established due to restructuring shall be approved in the founding meeting of the legal person to be newly established, in which decisions on other matters within the competence of the general meeting shall also be adopted.
5. In the case of restructuring of a Company, its rights and obligations shall, in accordance with the transfer act, be transferred to the newly established legal person.
6. The transfer act and other necessary documents required by law shall be submitted to the body implementing state registration of legal persons for state registration conditioned by restructuring.

Article 24. Consolidation (absorption) agreement

1. The consolidation (absorption) agreement, approved as prescribed by Articles 19 and 20 of this Law, shall, along with other necessary documents required by law, be submitted to the body implementing state registration of legal persons.

2. The consolidation (absorption) agreement shall be concluded between the companies involved in the consolidation (absorption), signed by the head of the executive body of the company and approved in the general meetings of said companies. The consolidation (absorption) agreement must contain:

- (a) the trade name, principal place of business, information on state registration of the parties involved;
- (b) the time limits, procedure and conditions for the consolidation (absorption);
- (c) the procedure (through a formula or another standard form) for converting the stocks and other securities of the consolidating (absorbed) company;
- (d) the procedure and conditions for receiving dividends for the stocks of the companies involved in the consolidation (absorption);
- (e) the procedure for voting in the joint meeting;
- (f) the dates, the procedure for convening and holding the joint meeting of the companies involved in the consolidation (absorption);
- (g) other information at the discretion of parties involved in the consolidation (absorption).

Article 25. Transfer act and dividing balance sheet

1. The transfer act and dividing balance sheet must contain provisions on the property of the reorganised company(ies) and the legal succession to all

the obligations with regard to creditors and debtors, including the disputed obligations.

2. The dividing balance sheet must ensure proportionate distribution — between the companies established through reorganisation — of the property and obligations corresponding to the shares of the shareholders of the companies to be newly established in the authorised capital of the Company being reorganised.

3. If the dividing balance sheet does not make it possible to determine the legal successor of the reorganised Company, the legal persons established due to reorganisation shall be jointly liable for the obligations of the reorganised Company with regard to its creditors.

4. Failure to submit the transfer act or dividing balance sheet along with the charters, as well as the absence therein of provisions on legal succession to or disproportionate distribution therein of the property and obligations of the reorganised company(ies), shall serve as a ground for rejection of state registration due to reorganisation.

Article 26. Rights of shareholders in the case of reorganisation

1. Shareholders having voted against the decision on reorganisation of a Company or shareholders owning voting stocks and not having participated in the voting shall have the right to demand setting a market value for the stocks and repurchasing all or part of the stocks belonging thereto, as prescribed by Articles 57 and 58 of this Law. Shareholders may not demand setting a market value for the stocks where the notice sent as prescribed by point 1 of Article 58 of this Law contains a provision on the repurchase price determined as prescribed by this Law.

2. A shareholder shall submit the request for repurchase on the ground specified in point 1 of this Article to the Company being reorganised, which shall forward it to

the legal successor defined by the decision on reorganisation for the latter to carry out the repurchase.

3. The stocks (shares) of a Company being established through reorganisation or being expanded due to absorption shall — by way of conversion, at the moment of adoption of the decision on reorganisation and at the market value of the stocks — be distributed amongst all the participators of the legal persons having adopted the decision on reorganisation. Moreover, the conversion ratio must be the same for each stock (share) of a given type (class). If the number of owners of a same type (class) of securities of any of the companies being reorganised is 50 or more, the market value of the securities of each of the companies being reorganised shall be determined by an independent evaluator.

(Article 26 supplemented by HO-96-N of 8 June 2004)

Article 27. Liquidation of a Company

1. Liquidation is the termination of a Company without transfer of its rights and obligations through legal succession to other persons.

2. A Company may be liquidated:

(a) upon a decision of the meeting, including upon expiration of the time limit or attainment of the goal for which the Company was established;

(b) where a court declares the registration of the Company to be invalid due to violations of law at the time when it was established;

(c) on other grounds prescribed by law.

3. In the cases provided by sub-point (a) of point 2 of this Article, the decision on liquidation of a Company and on creation of a liquidation committee shall be rendered by the meeting by a 3/4 vote of the owners of voting stocks participating therein, but

not less than a 2/3 vote of the owners of voting stocks, unless a larger number of votes is prescribed by the charter of the Company.

The meeting shall also approve the final balance sheet, adopt decisions on the procedure for and conditions of liquidation, as well as the procedure for distributing the property left after meeting the claims of the creditors. Shareholders who, at the time of creating a liquidation committee, own at least 10 percent of the Company's placed voting stocks shall have the right to join the liquidation committee or appoint their authorised representative. The members of the liquidation committee may be remunerated through the procedure defined by a decision of the meeting.

4. Information on being in the process of liquidation (start and end of the process of liquidation, composition of the liquidation committee) shall be recorded in the State Register of Legal persons, upon the liquidation committee's application.

5. Shareholders, holders of other securities and creditors of a Company shall have reading access to all the documents related to the liquidation of the Company.

(Article 27 supplemented by HO-273-N of 22 December 2010)

Article 28. Procedure for liquidation

1. The powers to manage the affairs of a Company shall be vested in its liquidation committee upon the designation of the latter. The liquidation committee shall act in court on behalf of the Company under liquidation.

2. The liquidation committee shall post on the official website of Public Notifications of the Republic of Armenia at <http://www.azdarar.am> an announcement about the liquidation of the Company and the procedure and the time limit for submission of claims by creditors. This time limit may not be shorter than two months from

the moment of announcement of liquidation, which shall be deemed to be the beginning of the process of liquidation of the Company.

3. The liquidation committee shall re-evaluate the property of the Company, take measures to disclose creditors and collect receivables, as well as inform the creditors about the liquidation of the Company.

4. During liquidation, a Company shall have the right to enter into new transactions and make new commitments, provided suchre necessary to complete the current activities required to perform the obligations of the Company. All actions taken to alienate the property or extinguish the debts of a Company under liquidation may be carried out only with the consent of the liquidation committee.

5. Upon the end of the time limit for submission of claims by creditors, the liquidation committee shall draw up the interim liquidation balance sheet, which shall contain information on the composition of the property of the Company under liquidation, the list of claims submitted by creditors, as well as the results of the consideration of claims.

6. The interim liquidation balance sheet shall be approved by the meeting.

7. If a legal person under liquidation does not have sufficient monetary resources to meet the claims of the creditors, the liquidation committee shall, as prescribed by this Law, sell the property of the legal person through public biddings.

8. The liquidation committee shall make payments to the creditors of the Company under liquidation in the order defined by Article 70 of the Code and in accordance with the interim liquidation balance sheet upon its approval. The amounts to be levied against the Company on the basis of a court judgment shall be paid in the order defined by Article 70 of the Code.

9. Upon meeting the claims of the creditors, as well as in the case when the Company does not have any obligations towards creditors at the moment of

approval of the interim liquidation balance sheet, the property of the Company shall be distributed amongst the shareholders, as prescribed by Article 29 of this Law.

10. In the case a creditor brings an action in court in relation to the obligations of the Company under liquidation, the property of the Company shall not be divided amongst the shareholders prior to entry into force of the court judgment.

11. After finalising the settlements with the creditors, the liquidation committee shall draw up a liquidation balance sheet which shall be approved by the meeting.

12. For state registration of the liquidation of the Company, the liquidation committee shall submit to the body implementing state registration of legal persons the approved liquidation balance sheet, along with the other documents prescribed by law.

13. A Company shall be deemed to be liquidated and its existence shall be deemed to be terminated from the moment of state registration.

(Article 28 amended by HO-137-N of 19 March 2012)

Article 29. Distribution of property of a Company under liquidation amongst shareholders

1. After the Company under liquidation meets the obligations towards creditors, the liquidation committee shall distribute the remaining property amongst the shareholders in the following order of priority:

the first priority shall be given to paying for stocks that must be repurchased in accordance with Article 57 of this Law;

the second priority shall be given to paying the accrued but not paid dividends for preferred stocks;

the third priority shall be given to paying the liquidation value of preferred stocks;

the fourth priority shall be given to distributing the remaining property of the Company under liquidation amongst the owners of common (ordinary) stocks and of all types of preferred stocks.

2. Distribution of property in each next order of priority shall be performed only after fully covering the obligations in the previous order of priority. The liquidation value of each class of preferred stocks prescribed by the charter shall be paid in the order of priority defined by the charter, and the liquidation value of preferred stocks in each next order of priority shall be paid after fully paying the liquidation value in the previous order of priority. Where the property at the disposal of the Company is not enough to pay to the shareholders the accrued but not paid dividends for preferred stocks, the property shall be distributed amongst the shareholders in proportion to the number of the same type of stocks belonging to them. Where the property at the disposal of the Company is not enough to pay to the shareholders the liquidation value of preferred stocks prescribed by the charter, the property shall be distributed amongst the shareholders in proportion to the number of the same type of stocks belonging to them.

CHAPTER III

AUTHORISED CAPITAL. STOCKS AND OTHER SECURITIES OF A COMPANY. NET ASSETS OF A COMPANY

Article 30. Authorised capital

1. An authorised capital shall be comprised of the nominal value of stocks acquired by the shareholders.

2. An authorised capital determines the minimum amount of the property of the Company guaranteeing the interests of its creditors.

3. No minimum amount of the authorised capital of a Company shall not be prescribed. In specific cases, depending on the field of activities of the Company, minimum amounts of the authorised capital may be prescribed by laws and other legal acts.

An authorised capital shall be expressed in Armenian drams.

When founding a Company, all of its stocks must be placed amongst the founders.

(Article 30 edited by HO-40-N of 26 December 2008)

Article 31. Securities of a company

1. A Company may issue and place nominal stocks and bonds in paper (printed) and non-paper forms. Moreover, the paper form of issuance of stocks shall be the stock certificate.

A Company may issue and place other securities provided by law.

2. Within the meaning of this Law, securities of the same type shall mean securities having similar distinguishing features (nominal value, certified rights, privileges and limitations).

The nominal value of common (ordinary) stocks issued by a Company must be the same.

A Company's preferred stocks of the same type shall have the same nominal value.

3. Securities of the same type issued by a Company shall have the same form of issuance.

(Article 31 amended by HO-202-N of 11 October 2007)

Article 32. Stocks of a Company

1. A Company may issue common (ordinary) as well as one or several types of preferred stocks.

The total nominal value of preferred stocks issued by a Company shall not exceed twenty-five percent of its authorised capital.

2. After the completion of the placement of the stocks issued by a Company, the Company shall register the stocks of the shareholders in the individual shareholder accounts of its shareholder register (record book) in accordance with the provisions of Chapter VI of this Law; moreover, where stocks are issued and placed by the Company in paper form, the person (shareholder) acquiring the stocks shall be provided with the relevant certificate.

3. Stocks shall be indivisible. Where two or more persons own the same stock, they shall be treated as one shareholder.

4. The charter may — based on a 3/4 vote of the owners of placed stocks, unless a larger number of votes is prescribed by the charter of the Company — prescribe limitations on the number, total nominal value of a certain type (class) of stocks belonging to one shareholder, as well as limitations on the maximum number of votes granted to one shareholder. Such limitations must concern all owners of stocks of the same type (class) and may not apply to a single shareholder or a group of shareholders.

(Article 32 supplemented by HO-273-N of 22 December 2010)

Article 33. Placed and authorised stocks of a company

1. The number and nominal value of stocks acquired by shareholders (placed stocks) shall be prescribed by the charter.

The charter may also prescribe the number and nominal value of the authorised stocks. These are stocks that a Company may place in addition to the placed stocks.

The charter must prescribe the rights of the owners of each type of stocks placed by the Company. In the case of absence of the specified provisions in the charter, the Company shall not have the right to place authorised stocks of the type in question.

The charter may provide the procedure and conditions for placing stocks authorised by the Company.

2. Decisions on making amendments and supplements to the charter in relation to the provisions on the authorised stocks provided by this Article shall be adopted by the meeting.

If a Company places securities that may be converted to Company stocks of a certain type (types), then during the entire time of their circulation the number of stocks of the type (types) in question shall not be less than the number that is necessary for the conversion of the placed securities.

A Company shall not have the right to adopt decisions on limiting the rights attached to stocks to which securities placed by the Company may be converted without the consent of the owners of such securities.

Article 34. Procedure for changing the authorised capital

1. A Company may change the amount of the authorised capital by a decision of the meeting.

The procedure for changing the authorised capital shall be prescribed by law and the charter. The notice on convening a meeting on changing the authorised capital must contain:

- (a) the motives for changing the authorised capital, the method and amount in which it is intended to be changed;
 - (b) draft amendments to the charter in relation to the change in the authorised capital;
 - (c) the number of stocks and the total sum of their nominal value expected after the change in the authorised capital;
 - (d) in the case of placement of stocks of a new type, the procedure and time limits for their placement, rights of shareholders attached to these and previously placed stocks.
2. Amendments to the charter due to a change in the authorised capital shall be registered by the body implementing state registration of legal persons as prescribed by law.

Article 35. Increasing the authorised capital

- 1. A Company shall have the right to increase its authorised capital by increasing the nominal value of stocks or by placing additional stocks.
- 2. An open Company may adopt a decision on placement of additional stocks only within the limits of the number of stocks authorised in the charter and provided that the previously placed stocks have been completely paid for.

A decision on placement of additional stocks must prescribe the following:

- (a) quantity of additionally placed common (ordinary) stocks and preferred stocks of each type within the limits of the authorised number of such stocks;
- (b) limits and conditions for placement of additional stocks, including the value of stocks to be placed amongst the shareholders having a preferential right to acquisition of such stocks and owners of other securities.

3. Where the amount of the value of the previously placed stocks has not been fully paid, the Company may not increase the authorised capital by way of fundraising.
4. After summarising the results of its financial performance, a Company may increase its authorised capital by increasing the nominal value of placed stocks:
 - (a) by transferring a part of its profits to the authorised capital;
 - (b) by fully or partially transferring from the value of the net assets (equity capital) to the authorised capital the part exceeding the total sum of the authorised capital, reserve capital and of the difference between the liquidation and nominal values of the preferred stocks.
5. A Company may not increase the authorised capital by increasing the nominal value of the stocks more than the value of the net assets as defined in the final balance sheet approved by the meeting or in the last audit.
6. A decision on increasing the authorised capital shall be adopted either by the meeting or by the board where the latter has been so authorised by the charter or the decision of the meeting.
7. A Company may increase the authorised capital by increasing the nominal value of previously placed stocks. In the case of failure to apply, within a period of not less than one year, for replacing the stock certificate or for making a relevant record, certificates shall be deemed to be invalid where the charter states so.
8. ***(part repealed by HO-202-N of 1 December 2014)***
9. When done with a view to privatisation, the specific aspects of increasing the authorised capital (by way of placing additional stocks) of joint stock companies with stocks owned by the Republic of Armenia shall be prescribed by laws regulating privatisation (denationalisation).

(Article 35 edited by HO-95-N of 8 June 2004, amended by HO-202-N of 1 December 2014)

Article 36. Reduction of the authorised capital

1. An authorised capital may be reduced:

- (a) by decreasing the nominal value of stocks;
- (b) by reducing the total number of stocks, inter alia, by way of acquisition and redemption of some of them in the cases provided by this Law,.

Reducing the authorised capital by way of acquisition and redemption of stocks shall be permitted where such possibility is provided for by the charter.

A Company may acquire stocks for the purpose of reducing the authorised capital only with the consent of the owners of stocks. Moreover, the Company shall be obliged to acquire the stocks offered to the Company for that purpose. Where the number of stocks offered for acquisition exceeds the amount prescribed by the relevant decision, stocks shall be purchased from the shareholders in proportion to their offers.

2. A Company shall not have the right to reduce the authorised capital where, as a result thereof, the amount of the authorised capital will decrease more than the minimum amount prescribed by law. The reduction of the authorised capital by a Company to less than the minimum amount prescribed by this Law shall be a ground for liquidation of the Company.

In the case of reducing the amount of the authorised capital, in the case of failure to apply, within a period of not less than one year, for replacing the stock certificate or for making a relevant record, certificates shall be deemed to be invalid where the charter states so.

3. A decision on reducing the authorised capital and making relevant amendments to the charter shall be adopted by the meeting by a 3/4 vote of the owners of voting stocks participating therein, but not less than a 2/3 vote of the owners of voting stocks, unless a larger number of votes is prescribed by the charter of the Company.

4. Within a 30-day period following the adoption of the decision on reducing the authorised capital, the Company shall provide its creditors with a written notice thereon. The creditors shall have the right to — within 30 days following the receipt of such notice — demand from the Company additional guarantees of performance of obligations, termination or early performance of obligations, as well as compensation for damages.

5. Registration of the amendments to the charter related to the reduction of the authorised capital shall be carried out after the expiry of 60 days from the adoption of the decision on such amendments and upon satisfaction of all claims of the creditors in accordance with point 4 of this Article.

Payments to shareholders in relation to the reduction of the authorised capital shall be made after state registration of the charter, except for the case of reduction of the authorised capital on the ground of decrease in the value of the net assets of the Company to less than the amount of the authorised capital.

6. Reduction of the authorised capital of a Company on the ground of decrease in the value of the net assets of the Company to less than the amount of the authorised capital shall be carried out by proportionally decreasing the nominal value of all the stocks.

(Article 36 supplemented by HO-95-N of 8 June 2004, HO-273-N of 22 December 2010)

Article 37. Rights and obligations of shareholders owning common (ordinary) stocks

1. Any common (ordinary) stock of a Company shall grant the same rights to any shareholder owning that stock. Pursuant to this Law and the charter, an owner of a common (ordinary) stock shall have the right to:

- (a) participate in the meeting with the right to vote on all issues within the competence of the meeting;
- (b) participate in the management of the Company;
- (c) receive dividends from the profits earned from the activities of the Company;
- (d) acquire stocks placed by the Company on a priority basis, unless otherwise provided by this Law and the charter;
- (e) receive any information on the activities of the Company except for confidential documents, as well as have reading access to the accounting balance sheets and reports and be informed on the production and economic activities of the Company as prescribed by the charter.
- (f) authorise a third person to represent the owner's rights in the meetings;
- (g) make proposals at the meetings;
- (h) vote at the meetings according to the amount of votes attached to the stocks belonging to him or her;
- (i) apply to court for the purpose of appealing against decisions adopted by the meeting which contradict the laws and other legal acts in force;
- (j) in the case of liquidation of the Company, receive part of the property of the Company due to him or her;
- (k) enjoy other rights provided for by the charter.

2. An owner of common (ordinary) stocks may not be granted an additional right to vote which does not arise from the nominal value and number of common (ordinary) stocks belonging to him or her. A Company shall not guarantee the payments of dividends for common (ordinary) stocks.

3. Owners of common (ordinary) stocks shall be obliged not to disclose any piece of information considered confidential on the activities of the Company. The list of pieces of information considered confidential shall be defined by the board.

Shareholders may bear other obligations provided by the charter and not contradicting the laws and other legal acts. Owners of common (ordinary) stocks of a Company need not carry out the additional obligations provided by the charter if they voted against the additional obligations or did not participate in the vote on the relevant issue.

Article 38. Rights and obligations of shareholders owning preferred stocks

1. A Company shall have the right to place preferred stocks with fixed or floating dividends, as well as cumulative, convertible and other types of preferred stocks, where such are provided for by the charter.

Owners of preferred stocks shall not have the right to vote at the meeting, unless otherwise provided by this Law and the charter for certain classes of stocks.

A Company's preferred stocks of the same class shall grant the same rights to all shareholders owning them.

In cases — provided by the second part of this point — of having the right to vote, a preferred stock shall grant the shareholder owning that preferred stock a right to one vote in each ballot, unless otherwise provided by the charter.

2. The charter shall prescribe the dividend payable for and the liquidation value (payable in the case of liquidation of the Company) of each class of preferred stocks placed and authorised by the Company. The amount of a dividend payable for and the liquidation value of a preferred stock shall be established either in monetary terms or as an interest rate on the nominal value of such stock. The amount of a dividend payable for and the liquidation value of preferred stocks shall be deemed to

be established also in the case where the charter provides for the procedure for determination thereof.

Where the charter does not provide for the amount of a dividend payable for preferred stocks, the owners thereof shall have equal rights to receive dividends as the owners of common (ordinary) stocks.

Where the charter provides for two or more classes of preferred stocks, it shall also prescribe the order of paying the dividends and liquidation value for each class of preferred stocks. The charter may prescribe that a dividend — the amount whereof shall be prescribed by the charter — not paid, fully or partially, for preferred stocks of a given class shall be accumulated and paid later (cumulative preferred stocks). The charter may also provide for possibilities and conditions for converting certain classes of preferred stocks, common (ordinary) stocks and other classes of preferred stocks of the Company.

3. Owners of preferred stocks shall have the right to vote at the meeting if issues of reorganisation and liquidation of the Company are discussed.

Owners of a given class of preferred stocks shall acquire the right to vote at the meeting if decisions relating to amendments and supplements to the charter, which will restrict the rights of such owners, including decisions relating to prescription or increase of dividends and/or liquidation value payable for other classes of preferred stocks, as well as to prescription of preferential treatment regarding the order of paying dividends and/or liquidation value to the owners of preferred stocks of another class, are discussed.

4. Owners of certain classes of preferred stocks — the amount of the dividend for which shall be prescribed by the charter — except for owners of cumulative preferred stocks, shall have the right to participate, with the right to vote, in the discussion on all issues in the meeting which follows the annual meeting in which no decision on payment of dividends for that particular class of preferred stocks has been adopted,

or a decision on not paying or paying them not fully has been adopted. This right shall cease after the first full payment of dividends for that particular class of preferred stocks.

Owners of certain classes of cumulative preferred stocks shall have the right to participate, with the right to vote, in the discussion on all issues in the meeting which follows the annual meeting in which no decision on payment of dividends for that particular class of cumulative preferred stocks has been adopted or a decision on not paying or paying them not fully has been adopted. This right shall cease after the full payment of all accumulated dividends for that particular class of cumulative preferred stocks.

5. The charter may provide for the right to vote for the owners of certain classes of preferred stocks if the charter also provides for a possibility to convert that particular class of preferred stocks into common (ordinary) stocks. Moreover, an owner of such preferred stocks must have such number of votes which does not exceed the number of votes which he or she would have in the case of converting the preferred stocks into common (ordinary) stocks.

6. When converting preferred stocks into common (ordinary) stocks, a Company must either discharge all debts to the owners of preferred stocks or shall, with their consent, become obliged to pay for the debts in another form.

7. Non-payment of a dividend for preferred stocks within three consecutive years may be a ground for liquidation of the Company through judicial procedure.

8. Owners of preferred stocks shall enjoy the rights prescribed by sub-points “a”, “c”, “d”, “g” and “h” of point 1 of Article 37 of this Law in accordance with the provisions of this Article, and the rights prescribed by sub-points “b”, “e”, “f”, “i” and “j” on the same grounds as the owners of common (ordinary) stocks.

9. Owners of preferred stocks shall bear the obligations prescribed by point 3 of Article 37 of this Law.

Article 39. Stock certificates

1. A stock certificate is a nominal security certifying the right of ownership of its holder(s) over one or several stocks of a Company.
2. A shareholder shall be issued separate certificates for separate types of preferred and common (ordinary) stocks. Certificates shall be issued after the payment for the value of the stocks has been made.
3. The procedure for issuing, replacing and revoking stock certificates shall be prescribed by law and other legal acts.
4. A stock certificate must contain the following information:
 - (a) the title “stock certificate” and the serial number;
 - (b) state registration data, full trade name and principal place of business of the Company;
 - (c) the amount of the authorised capital, the number of issued stocks of that type and the amount of the total nominal value thereof;
 - (d) type and, where necessary, date of issuance of the stocks represented by the certificate. In the case when a Company issues several classes of preferred stocks, each class shall have its distinguishing title;
 - (e) state registration number for each type of stock;
 - (f) the number of stocks being certified by that certificate, the nominal value of each stock, as well as the total nominal value thereof;
 - (g) year, month, day of issuing the certificate;
 - (h) full business name (or, in the case of natural persons, personal name) of the registered owner of the stock (stocks) represented by the certificate;
 - (i) signatures (or facsimile reproductions of the signatures) of the board chairperson and the chief accountant or financial director, and where the register is

maintained by a professional organisation, also the signature (or a facsimile reproduction of the signature) of the appropriate official of that organisation, as well as the state registration data, full business name and principal place of business of that organisation;

(j) information on the rights attached to the stocks represented by the certificate and/or on the limitations on said rights, including limitations on the right to vote at the meeting and stock transfer;

(k) *(sub-point repealed by HO-53-N of 19 March 2012)*

5. In the case of transfer of stocks or part of stocks represented by a certificate or in the case of change of the business name (personal name) of their registered shareholder, the stock certificate shall be returned and shall be deemed to be revoked. A new stock certificate shall be issued in the business name (personal name) of the new holder. New stock certificates shall also be issued in the business names of the new and previous holders in the case of partial transfer of stocks represented by the certificate. In the case of change of the name of a registered shareholder of stocks represented by a certificate, a new stock certificate shall be issued in the new business name (personal name) of the registered shareholder.

6. A certificate shall meet the requirements, prescribed by laws and other legal acts, for the protection of securities.

(Article 39 supplemented by HO-111-N of 13 April 2011, amended by HO-53-N of 19 March 2012)

Article 40. Bonds and other securities of a Company

1. A Company shall have the right to issue, pursuant to its charter, bonds and other securities prescribed by law. Placement of bonds and other securities shall be carried out by the decision of the board unless otherwise provided by the charter. Issuance

and placement of bonds and other securities shall be carried out as prescribed by the Law of the Republic of Armenia “On securities market”.

2. A bond shall be deemed to be a security certifying the right of its holder to receive from the Company which has issued the bond, within the time limit provided therein, the nominal value of the bond or another equivalent property. A bond shall also grant its holder the right to receive an interest rate on the nominal value of the bond or other property rights within the time limits prescribed by the Company.

A decision on issuing bonds shall prescribe the method, time limits and conditions for redemption thereof.

Bonds shall have a nominal value. The total nominal value of all secured bonds issued by a Company shall not exceed the authorised capital or the insurance amount provided to the Company for the purpose of issuing bonds.

A Company may issue bonds with one-time or deferred redemption (with the time intervals prescribed by the Company). Redemption of bonds shall be carried out in drams or in any other property pursuant to the decision on issuing bonds.

A Company shall have the right to issue:

- (a) bonds secured by a pledge of Company property;
- (b) bonds secured by guarantees provided by third parties for the issuance of the bonds;
- (c) non-secured bonds.

Non-secured bonds may be issued at least three years after the state registration of the Company and provided that at least two annual balance sheets of the Company have been approved in the prescribed manner.

A Company may issue both nominal and bearer bonds.

A Company shall be obliged to maintain a register of the owners of nominal bonds placed thereby. A lost nominal bond shall be restored by the Company for a reasonable fee. The rights of an owner of lost bearer bonds shall be restored by the court as prescribed by the Civil Procedure Code of the Republic of Armenia.

A Company may provide a possibility of early redemption of bonds at the request of the owners thereof. In such case, the decision on issuing bonds shall prescribe the redeemable amount and the time starting from which the bonds may be submitted for early redemption.

3. A Company may issue convertible bonds and other convertible securities which grant the right to convert bonds and other securities of the Company into stocks or acquire stocks on preferred terms. Moreover, a Company shall not have the right to place convertible bonds and other convertible securities where the actual number of authorised stocks of the types and classes in question is less than the number of stocks of said types and classes which would be necessary to ensure the possibility of converting the convertible bonds and the other convertible securities into Company stocks.

4. The interests on bonds shall be paid within the time limit specified therein but not less than once a year irrespective of the financial situation of the Company and the profits earned by it (except for profit-participating bonds). Where the bonds are placed at a price lower than the nominal value, the annual interests need not be paid to the owner of the bond, and this must be prescribed by the decision on issuing bonds and mentioned in the bond.

In the case of failure to pay bond interests or redeem the bonds within the prescribed time limits, the Company may be liquidated through judicial procedure.

5. Bonds shall be printed and shall contain the following information:

(a) the title “bond” and the serial number;

- (b) state registration data, full trade name and principal place of business of the Company;
- (c) the amount of the authorised capital;
- (d) date of issuance;
- (e) nominal value of the bond;
- (f) number and total nominal value of the issued bonds of that type;
- (g) time limits for redemption of the bonds, the redeemable amount and payable interest rates or the procedure for their calculation, the procedure for payment of the interest rates;
- (h) for nominal bonds: full business name (or, in the case of natural persons, personal name) of the bond owner;
- (i) signatures (or facsimile reproductions of the signatures) of the board chairperson and the chief accountant or financial director;
- (j) the form of the bond and the rights attached to it, including — in the case of convertible bonds — the right to convert the bond into Company stocks;
- (k) ***(sub-point repealed by HO-53-N of 19 March 2012)***

6. A printed bond shall meet the requirements, prescribed by laws and other legal acts, for the protection of securities.

(Article 40 amended by HO-202-N of 11 October 2007, supplemented by HO-111-N of 13 April 2011, amended by HO-53-N of 19 March 2012)

Article 41. Stocks assigned to employees

1. Employees of a Company may, as prescribed by the charter, be provided with employee stocks which may be common (ordinary) or preferred. Employee stocks shall

be placed amongst employees of the Company at the expense of the special employee shareholding fund created for that purpose from the stocks repurchased by the Company from its shareholders.

The proportion of employee stocks shall not exceed 25 percent of the authorised capital stock of the Company.

2. An employee stock shall be a nominal stock sold to a Company employee on preferred terms. The circulation of employee stocks may be limited by time limits prescribed by the charter but not longer than for three years starting from the date of their placement.

3. Employee stocks shall be placed amongst employees with the consent of the latter. The amount paid for employee stocks may be lower than the nominal value but not less than 25 percent of the nominal value.

4. In the case of termination of the employment relations with an employee, except for cases of retirement, the Company shall have a preferential right to repurchase the stocks of the employee at the market price but not less than at their nominal value.

Where limitations referred to in point 2 of this Article apply, the heirs of a deceased owner of employee stocks shall have the right to either demand that the Company repurchase the employee stocks at the market price, but not less than at their nominal value, or demand that they be converted into other stocks of the Company, provided that such stocks are authorised by the Company.

5. Owners of employee stocks shall, except for the limitation referred to in point 2 of this Article, enjoy the same rights as those prescribed by this Law and the charter for the owners of common (ordinary) or of different classes of preferred stocks corresponding to the employee stocks in question.

The nominal value of employee stocks shall not differ from the nominal value of the common (ordinary) securities or that of the corresponding class of preferred securities of the Company.

6. The decision on the procedure for placement of and payment for employee stocks, and for prescribing privileges for employees shall be rendered by the meeting.

Article 42. Payment for stocks and other securities of a Company

1. Property, including cash, securities and property rights, and intellectual property may be accepted as payment for stocks of a Company.

2. At the time of foundation of a Company, its stocks shall be paid for in full before the state registration of the Company.

Additionally placed stocks of a Company shall be paid for within the time limit prescribed by the decision on placement thereof but not later than within one year upon the placement.

3. At the time of foundation of a Company, the method of payment for stocks shall be prescribed by the agreement on the foundation of the Company, and the method of payment for additionally placed stocks, as well as for other securities issued by the Company, shall be prescribed by the decision on placement thereof.

At the time of acquisition of additionally placed stocks for which it is provided that the payment for them may be made only in cash, at least 25 percent of their nominal value must be paid.

In the case of Company stocks and other Company securities for which it is provided that the payment for them may be made only by non-monetary means, their full value shall be paid at the time of acquisition thereof, unless otherwise provided by the decision on the placement of securities.

The payment for securities placed through a public sale shall be made only in cash and in full.

4. At the time of foundation of a Company, the monetary value of the property paid by founders for stocks shall be defined upon agreement between the founders, whereas at the time acquisition of additionally placed stocks and other securities it shall be defined by the decision of the board and shall be subject to evaluation by an independent evaluator. By the decision of the board, limitations may be imposed on the types of property paid for stocks and other securities of the Company.

5. A shareholder may not in any way, even through set-off of claims against the Company, be released from the obligation to pay for the stocks of the Company.

6. Where, during the acquisition of additionally placed stocks, the full value of such stocks has not been paid in full within the time limit prescribed by the decision on placement and the paid amount is less than the value of one relevant stock, the stocks shall be transferred to the Company to be at its disposal, and shareholders failing to pay their value in time shall be deprived of their right of ownership over the stocks. A note on this shall be made in the Company's register of shareholders. Cash and other property paid for stocks shall not be returned to the shareholder.

Where, during the acquisition of additionally placed stocks, the full value of such stocks has not been paid in full within the time limit prescribed by the decision on placement and the paid amount is not less than the value of one relevant stock, the number of stocks shall be re-calculated so that the product of the number of the stocks and the acquisition value does not exceed the amount actually paid for them. The remaining stocks shall be transferred to the Company to be at its disposal, and the shareholders shall be deprived of their right of ownership over said stocks. A note on this shall be made in the Company's register of shareholders.

The charter may provide monetary penalties for the failure to perform the obligation to pay for a stock.

Stocks transferred to a Company to be at its disposal shall not grant a right to vote, shall not be taken into consideration during vote counting, and no dividends shall be accrued on such stocks. The meeting shall approve the results of the placement of stocks and shall make relevant amendments to the charter.

Article 43. Funds and net assets of a Company

1. A Company shall create a reserve fund in the amount prescribed by the charter but not less than 15 percent of the authorised capital. Where the amount of the reserve fund is less than the amount prescribed by the charter, the allocations to that fund shall be made from the profits in the amount of at least five percent thereof, as well as from the resources generated from the difference between the cost of issuance of the new securities of the Company and the nominal value thereof.

The reserve fund shall be used to cover the losses of the Company, as well as for redemption of the bonds of the Company and repurchase of stocks, where the Company profit and other resources are not sufficient.

The reserve fund may not be used for other purposes.

2. Other funds may be provided for by law or the charter.

3. The value of the net assets of a Company shall be evaluated based on the balance sheet data or audit re-inspection data and as prescribed by law and other legal acts. Where upon the end of the second and each subsequent fiscal year it becomes clear that the value of the net assets of a Company is less than the authorised capital, the Company shall be obliged to declare and register, in the prescribed manner, the reduction of its authorised capital.

Where upon the end of the second and each subsequent fiscal year it becomes clear that the value of the net assets of a Company is less than the minimum amount of

the authorised capital prescribed by law, the Company shall be obliged to adopt a decision on liquidation.

4. Where in cases provided by point 3 of this Article no decision on reduction of the authorised capital or on liquidation of the Company has been adopted, the shareholders, creditors of the Company, as well as the authorised state bodies, shall have the right to demand liquidation of the Company through judicial procedure.

CHAPTER IV

PLACEMENT OF STOCKS AND OTHER SECURITIES OF A COMPANY.

Article 44. Price of placed stocks of a Company

1. Payment for stocks placed by a Company shall be made at their market value but not less than at their nominal value.

At the time of foundation of a Company, the payment for the Company stocks shall be made by the founders at the nominal value of the stocks.

2. A Company shall have the right to place additional stocks at a lower price than their market value where:

(a) the placement is carried out when shareholders owning common (ordinary) stocks of the Company exercise their preferential right to acquire such stocks;

(b) for the placement of the stocks the Company uses the services of a placing broker (intermediary). In such case, the placement price may be lower than the market value only in the amount of the remuneration paid to the placing broker (intermediary), and said amount shall be defined as an interest rate on the price of the placed stock.

Article 45. Procedure and price for converting securities of a Company into stocks

1. Placement of additional stocks of a Company conducted to ensure the conversion of securities of the Company into stocks shall be carried out only through said conversion. The procedure for conversion shall be prescribed by the decision on placement of convertible securities.

2. A Company shall place securities convertible into stocks at their market value, except for:

(a) the case of placement of securities convertible into common (ordinary) stocks of the Company amongst all the shareholders of the Company owning common (ordinary) stocks, provided that the latter exercise their preferential right to acquire stocks. In such case, placement of securities may be carried out at their nominal value;

(b) where the Company uses the services of a person carrying out placement (intermediary) for placement of securities convertible into stocks. In such case, the offer price may be lower than the market value only in the amount of the remuneration paid to the placing broker (intermediary), and said amount shall be defined as an interest rate on the placement price of the securities converted into the placed stocks.

The provisions of this Article shall not extend to the case of placement of Company bonds when the redemption conditions prescribed for those bonds provide for the redemption of their nominal value or for their conversion into Company stocks.

Article 46. Methods of placement of Company stocks and securities convertible into stocks

1. An open Company shall have the right to carry out placement of stocks and securities convertible into stocks through public or private offering.

A closed Company shall not have the right to carry out placement of stocks and securities convertible into stocks through public offering or otherwise offer such stocks and securities to an unlimited number of persons.

Placement of additional stocks of a Company by way of conversion of convertible securities into Company stocks shall be carried out as prescribed by the decision on placement of securities convertible into Company stocks.

2. The methods for placement of stocks and securities convertible into stocks carried out by an open Company (through public or private offering) shall be defined by the meeting.

3. Placement of Company stocks and securities convertible into stocks shall be carried out as prescribed by laws and other legal acts.

Article 47. Protection of shareholder interests in the case of placement of Company stocks and securities convertible into stocks

1. Shareholders of a Company shall have a preferential right to acquire new stocks in proportion to their shares in the authorised capital within the time limit prescribed by the charter, except for cases provided by point 2 of this Article and the Law of the Republic of Armenia on “Bankruptcy of banks and credit organisations.”

Owners of Company securities granting the right to acquire stocks shall, within the time limits provided by the charter, enjoy a preference over shareholders in terms of exercising that right before the latter.

2. In the case when a Company places voting stocks and securities convertible into voting stocks through a public offering, the shareholders of the Company shall not have a preferential right to acquire voting stocks and securities convertible into voting stocks. Where the payment for placed stocks will be carried out in cash, the charter may provide for a preferential right to acquire voting stocks and securities convertible

into voting stocks for the shareholders of the Company in proportion to the number of voting stocks belonging thereto.

3. The meeting shall have the right to decide to not apply the preferential right, referred to in point 2 of this Article, of the owners of voting stocks, as well as to define the validity period of that decision. Such decisions shall be adopted by the meeting by a simple majority vote of the owners of voting stocks participating in the meeting, unless a larger number of votes is prescribed by the charter of the Company.

The validity period of the decision on not applying the preferential right shall be defined by the meeting but it shall not be longer than one year upon the adoption of the decision.

4. The provisions of this Article shall not extend to owners of preferred stocks of a Company which have obtained the right to vote pursuant to points 3 and 4 of Article 38 of this Law.

(Article 47 amended by HO-66-N of 27 April 2004, supplemented by HO-273-N of 22 December 2010)

Article 48. Procedure for exercising the preferential right to acquire stocks and securities convertible into stocks

1. Shareholders owning voting stocks of a Company must — under the same procedure prescribed by this Law for convening the meeting and at least thirty days before the day when the placement of voting stocks and securities convertible into voting stocks payable in cash starts — be notified of their opportunity to exercise their preferential right prescribed by Article 47 of this Law.

The notice shall contain information on the following:

(a) number of voting stocks and securities convertible into voting stocks to be placed;

(b) placement price of voting stocks and securities convertible into voting stocks to be placed (including placement price for the shareholders of the Company having a preferential right to acquire voting stocks and securities convertible into voting stocks to be placed);

(c) the procedure for determination of the number of stocks and securities convertible into voting stocks that may be acquired by the shareholders of the Company in exercise of their preferential right, as well as the procedure and time limits for exercising this right.

2. Shareholders shall have the right to exercise their preferential right in full or in part by means of sending a written notice to the Company on acquisition of voting stocks or securities convertible into voting stocks, which must contain the following:

(a) the full trade name (or, in the case of natural persons, personal name), state registration data (passport data), principal place of business (place of residence) of the shareholder;

(b) the quantity of stocks and/or securities to be acquired;

(c) the document certifying the payment for the stocks and/or securities;

The notice shall be submitted not later than one day before the placement of the Company voting stocks and securities convertible into voting stocks starts.

CHAPTER V

COMPANY DIVIDENDS

Article 49. Procedure for payment of dividends by the Company

1. A Company shall have the right to adopt a decision on (announce) payment of quarterly, semi-annual or annual dividends for placed stocks, unless otherwise provided by this Law and the charter.

A Company shall be obliged to pay dividends announced for each type (class) of stock in drams but also, in cases provided by the charter, with other property, including stocks of that Company.

2. Dividends shall be paid from the net profit (accumulated profit) of the Company. Dividends for a certain class of preferred stocks may be paid from the account of the Company funds specially established for that purpose.

3. A decision on payment of interim (quarterly, semi-annual) dividends, the amount of the dividends and the method of payment thereof for each type and class of stocks shall be adopted by the board. A decision on payment of annual dividends, the amount of the dividends and the method of payment thereof for each type and class of stocks shall be adopted by the meeting on the recommendation of the board. The amount of interim dividends may not exceed 50 percent of the dividends distributed on the basis of the results of the previous fiscal year. The amount of annual dividends may not be more than that proposed by the board and less than that of the already paid interim dividends.

Where the amount of annual dividends prescribed by the decision of the meeting for separate types and classes of stocks is equal to the amount of the already paid interim dividends, no annual dividends for such types and classes of stocks shall be paid.

Where the amount of annual dividends prescribed by the decision of the meeting for separate types and classes of stocks is more than the amount of the already paid interim dividends, the annual dividends for such types and classes of stocks shall be paid in the amount of the difference between the defined annual dividends and the interim dividends that have already been paid in that year.

The meeting shall have the right to adopt a decision on not paying dividends for separate types and classes of stocks, and also on paying dividends partially for preferred stocks the amount of dividends payable for which is prescribed by the charter.

4. The time limit for the payment of annual dividends shall be prescribed by the charter or the decision of the meeting on paying dividends. The time limit for the payment of interim dividends shall be prescribed by the decision of the board on paying interim dividends; however, it may not be earlier than after 30 days from the adoption of said decision.

For each payment of dividends, the board shall draw up a list of shareholders having the right to receive dividends, which shall contain the following:

(a) in the case of paying interim dividends, the shareholders of the Company who were listed in the Company's register of shareholders at least 10 days before the adoption of the decision on payment of interim dividends by the board;

(b) in the case of paying annual dividends, the shareholders of the Company who were listed in the Company's register of shareholders as of the day of drawing up the list of shareholders having the right to participate in the annual general meeting of shareholders of the Company (hereinafter referred to as "the annual meeting").

(Article 49 supplemented by HO-202-N of 11 October 2007)

Article 50. Limitations on payment of dividends

1. A Company shall not have the right to adopt a decision on (announce) payment of the dividends with placed stocks where:

- (a) the authorised capital has not been paid in full;
- (b) the Company has not repurchased all of its stocks in accordance with the provisions of Article 58 of this Law;
- (c) as of the time of adoption of the decision on payment of dividends, the condition of the Company corresponds to the features of insolvency (bankruptcy) prescribed by law, or they will occur as a result of the payment of dividends;
- (d) the value of the net assets of the Company is less than the authorised capital or will decrease as a result of the payment of dividends.

2. A Company shall not have the right to adopt a decision on (announce) payment of dividends for placed common (ordinary) stocks and for preferred stocks for which the amount of dividends is not prescribed, if no decision on full payment of dividends for all classes of preferred stocks for which the amount of dividends is prescribed by the charter has been adopted.

3. A Company shall not have the right to adopt a decision on (announce) payment of dividends for placed preferred stocks for which the amount of dividends is prescribed by the charter, if no decision on full payment of dividends for all classes of preferred stocks having a preference over the former preferred stocks in terms of receiving dividends has been adopted.

CHAPTER VI

COMPANY'S REGISTER OF SHAREHOLDERS

Article 51. Company's register of shareholders

1. Except for cases provided by this Article, companies shall be prohibited to maintain a register of owners of stocks issued by them, and the maintenance of this register shall be handed over to a professional organisation not related to them within the meaning of the Law of the Republic of Armenia "On securities market" and entitled to maintain a register of owners of (nominees holding) nominal securities as prescribed by law and other legal acts. Information on each registered person (shareholder, nominee), as well as information prescribed by laws and other legal acts, shall be recorded in the register.

(paragraph repealed by HO-202-N of 11 October 2007)

2. *(point repealed by HO-202-N of 11 October 2007)*

3. A Company which has handed the maintenance of a register over to a professional organisation shall not be liable for the maintenance and keeping of the register.

4. Shareholders and nominees shall be obliged to timely inform the organisation maintaining the register of the Company of changes in the data, prescribed by this Article, relating to them. Where a shareholder or a nominee fails to submit the mentioned data, the Company and the professional organisation maintaining the register shall not be liable for the damage caused to the shareholder.

5. The maintenance of the register of its own stocks by the Central Depository shall not be deemed to be a violation of the requirements of this Law.

(Article 51 amended by HO-202-N of 11 October 2007, HO-107-N of 24 June 2010, amended, supplemented by HO-24-N of 21 December 2015)

Article 52. Making records in a Company's register of shareholders

1. Records in a Company's register of shareholders shall be made at the request of a Company shareholder or nominee within three days upon submitting the documents prescribed by law and other legal acts.

2. It shall not be permitted to refuse to make a record in a register, except in cases provided by law and other legal acts. In the case of such refusal, the person maintaining the register shall, within five days after the request to make a record was submitted, notify the person requesting the making of the record of the refusal, justifying the refusal.

A refusal to make a record in the register may be appealed through judicial procedure. Upon the court's judgment of the court having entered into force, the person maintaining the register shall be obliged to make a relevant record in the register.

Article 53. Extract from a Company's register of shareholders

At the request of a Company shareholder or nominee, the person maintaining the Company's register of shareholders shall be obliged to certify the Company shareholder's or nominee's right of ownership by providing that person with a relevant extract from the register, which shall specify the following:

- (a) state registration data, full trade name and principal place of business of the Company;
- (b) the amount of the authorised capital, the number and the total nominal value of the issued stocks of that type;
- (c) state registration number of each type of stocks where they are subject to state registration pursuant to the Law of Republic of Armenia "On securities market";

- (d) the number of stocks, the nominal value of each stock, as well as the total nominal value thereof;
- (e) year, month, day of issuing the extract;
- (f) full business name (or, in the case of natural persons, personal name) of the shareholder or nominee;
- (g) signatures (or facsimile reproductions of the signatures) of the the board chairperson and the chief accountant or financial director, and where the register is maintained by a professional organisation, also the signature (or a facsimile reproduction of the signature) of the appropriate official of that organisation, as well as the state registration data, full business name and principal place of business of that organisation;
- (h) *(point repealed by HO-53-N of 19 March 2012)*
- (i) other information upon the application of the person requesting an extract.

An extract from a Company's register of shareholders is not a security.

(Article 53 amended by HO-95-N of 8 June 2004, HO-202-N of 11 October 2007, supplemented by HO-111-N of 13 April 2011, amended by HO-53-N of 19 March 2012)

CHAPTER VII

ACQUISITION AND REPURCHASE OF A COMPANY'S PLACED STOCKS BY THE COMPANY

Article 54. Acquisition of a Company's placed stocks

1. Upon a decision of the meeting on reduction of the authorised capital, a Company shall have the right to acquire part of its placed stocks for the purpose of

reducing the total number of Company stocks, where such possibility is provided for by the charter.

A Company shall not have the right to adopt a decision on reduction of the authorised capital through acquisition of part of its placed stocks for the purpose of reducing the total number of stocks if the total nominal value of the stocks that will remain in circulation will become less than the minimum amount of the authorised capital prescribed by this Law.

2. A Company shall have the right to acquire its placed stocks by the decision of the board where such possibility is provided for by the charter.

The board shall not have the right to adopt a decision on acquisition of placed stocks if the total nominal value of the stocks in circulation will become less than 90 percent of the authorised capital.

3. A Company's placed stocks acquired on the basis of a decision of the meeting on reduction of the authorised capital through reduction of the total number of Company stocks shall be redeemed at the time of their acquisition.

Placed stocks acquired by the board decision shall not grant a right to vote, shall not be counted during vote counting, and no dividends shall be accrued on such stocks. These stocks shall be sold within one year upon their acquisition. Otherwise, the meeting shall adopt a decision on reduction of the authorised capital through redemption of said stocks or a decision on increasing the nominal value of the remaining stocks of the Company through redemption of the acquired stocks while keeping the authorised capital prescribed by the charter unchanged.

4. A decision on acquiring stocks shall establish:

- (a) types and classes of stocks to be acquired;
- (b) number of each type and class of stocks to be acquired;
- (c) acquisition price, time limits for and method of payment;

(d) the time limit during which the acquisition of the stocks will take place.

Stocks shall be paid for in cash unless otherwise provided by the charter. The stock acquisition period may not be less than 30 days. The price at which a Company acquires common (ordinary) stocks shall be determined as prescribed by Article 59 of this Law.

All shareholders shall have the right to sell their stocks if a decision on acquisition of stocks of relevant types and classes has been adopted, and the Company shall be obliged to acquire them. Where the number of stocks offered for sale by shareholders exceeds the number of stocks which the Company may acquire after applying the restrictions prescribed by this Article, the stocks shall be acquired in proportion to the offers made.

5. Shareholders owning relevant types and classes of Company stocks shall be notified by the Company of its decision on acquisition of such stocks at least 30 days before the time limit for their acquisition starts running. The notice shall contain information prescribed by part 1 of point 4 of this Article.

6. Preferred stocks shall be acquired at the market price determined in the manner provided by the charter or prescribed by Article 59 of this Law.

Article 55. Restrictions on acquisition of a Company's placed stocks

1. A Company shall not have the right to acquire its placed common (ordinary) stocks where:

(a) the authorised capital has not been paid in full;

(b) as of the time of the acquisition, the condition of the Company corresponds to the features of insolvency (bankruptcy) prescribed by law, or such features will occur as a result of the acquisition of stocks;

(c) as of the time of the acquisition of stocks, the value of the Company's net assets is less than the sum total of the authorised capital, reserve fund and difference between the liquidation value and the nominal value — prescribed by the charter — of the placed preferred stocks, or will become less as a result of the acquisition of stocks.

2. A Company shall not have the right to acquire its placed preferred stocks of a certain class where:

(a) the authorised capital has not been paid in full;

(b) as of the time of the acquisition, the condition of the Company corresponds to the features of insolvency (bankruptcy) prescribed by law, or such features will occur as a result of the acquisition of stocks;

(c) as of the time of the acquisition of stocks, the value of the Company's net assets is less than the sum total of the authorised capital, reserve fund and difference between the liquidation value and the nominal value — prescribed by the charter — of placed preferred stocks the owners of which have enjoy a preference over the owners of the preferred stocks subject to acquisition in terms of receiving the liquidation value of preferred stocks, or will become less as a result of the acquisition of stocks.

3. A Company shall not have the right to acquire its placed stocks if it has not repurchased all the stocks that have been requested for repurchase as prescribed by Article 58 of this Law.

Article 56. Consolidation and splitting of company stocks

1. A Company shall have the right to consolidate placed stocks by the decision of the meeting, as a result of which two or more Company stocks shall be replaced by one new stock of the same type (class). In such case, the charter shall be amended respectively with regard to the number and nominal value of placed and authorised stocks of the Company.

If a consolidation results in fractional stocks, they shall be repurchased by the Company at the market value estimated as prescribed by Article 59 of this Law.

2. A Company shall have the right to split placed stocks by the decision of the meeting, as a result of which one placed Company stock shall be replaced by two or more stocks of the same type (class). In such case, the charter shall be amended respectively with regard to the number and nominal value of the placed and authorised stocks of the Company.

Article 57. Repurchase of Company stocks at the request of shareholders

1. Owners of stocks carrying voting rights shall have the right to demand that the Company decide on the repurchase price of the stocks, as well as demand that the Company repurchase all or part of their stocks, where:

a) a decision has been adopted on reorganisation of the Company, suspension of a preferential right or conclusion of a major transaction in accordance with point 2 of Article 61 of this Law and where the shareholders concerned have voted against the reorganisation of the Company, suspension of the preferential right or conclusion of the major transaction or have not participated in the vote on those issues;

b) supplements or amendments were made in the charter or a restated charter was approved causing restriction of the rights of the shareholders concerned and where they have voted against or did not participate in the vote.

2. The list of shareholders having the right to demand repurchase of their stocks from the Company shall be drawn up on the basis of the data available in the Company's register of shareholders register as of the date of drawing up the list of shareholders having the right to participate in the meeting the agenda of which includes issues the adoption of decisions on which may cause restriction — referred to in point 1 of this Article — of the rights of shareholders.

3. A Company shall repurchase its stocks at the market value which shall be determined without taking into account the changes emerging from the Company's actions triggering the right to demand evaluation and repurchase of stocks.

Article 58. Procedure for exercising the right to demand repurchase of Company stocks

1. A Company shall be obliged to inform the shareholders of their right to demand repurchase of their stocks and the procedure for exercising that right.

2. The notice on the meeting the agenda of which includes issues the vote on which may, as prescribed by this law, trigger the right to demand repurchase of stocks shall contain the information referred to in point 1 of this Article. The notice shall also contain information on the repurchase price if the latter was, in the manner prescribed, determined beforehand.

Within seven days upon the adoption of such decisions, the Company shall be obliged to notify the shareholders having the right to repurchase that their right to demand from the Company repurchase of stocks has been triggered and of the repurchase procedure.

3. Written requests of shareholders on repurchase of their stocks containing information on the number of stocks submitted for repurchase and place of residence (principal place of business) of the shareholder shall be submitted to the Company not later than within 45 days upon the adoption of the relevant decisions by the meeting.

4. When the period prescribed by point 3 of this Article elapses, the Company shall be obliged to repurchase, within 30 days, the stocks from the shareholders that have submitted written requests for repurchase of stocks.

5. The repurchase of stocks shall be carried out at the price stated in the notice referred to in part 1 of point 2 of this Article and if such price has not been determined, it shall be determined as of the time of adopting any of the decisions referred to in point 1 of Article 57 of this Law.

The amount of funds allocated for repurchase of stocks may not exceed 10 percent of the value of the Company's net assets. The value of the net assets shall be determined as of the time of adopting any of the decisions referred to in point 1 of Article 57 of this Law. If the total value of the stocks subject to repurchase at the request of shareholders exceeds the amount that the Company is able to pay for the repurchase of stocks, they shall be repurchased in proportion to the demands made by the shareholders.

6. In the case of not agreeing with the repurchase price, a shareholder shall have the right to apply to court — within three months upon the date the Company paid the shareholder — requesting to re-evaluate the stocks.

7. Stocks repurchased on the grounds prescribed by point 1 of Article 57 of this Law shall be transferred to the Company to be at its disposal. These stocks shall not grant a right to vote, shall not be taken into consideration during vote counting, and no dividends shall be accrued on such stocks. They shall be subject to placement within one year. Otherwise, the meeting shall be obliged to adopt a decision on reduction of the authorised capital through redemption of said stocks.

Article 59. Procedure for determining the market value of a Company property

1. The market value of a property, including the value of Company stocks and other securities, is the price at which a seller that is not obliged to sell the property and is in possession of all the necessary information concerning the price of the property would agree to sell the property and a buyer that is not obliged to acquire the property and

is in possession of all the necessary information concerning the price of the property would agree to acquire it.

2. The market value of a property shall be established by the decision of the board, except for:

(a) cases concerning the regular activities of the Company, when the transaction is concluded within the framework of the estimate of expenses and incomes of the Company;

(b) cases prescribed by this Law, when the market value is determined by the court, another body or person.

If a board member is an interested party in one or more transactions which require determination of the market value of a property, the market value of the property shall be established by the decision of those board members who are not interested in the specified transaction. In a Company with 50 or more shareholders (owners of voting stocks), the market value of a property shall be determined by the independent board members who are not interested in concluding that transaction.

3. To determine the market value of a property, a Company may, by the decision of the board, use services of an independent evaluator.

4. Determination of the market value by an independent evaluator shall be mandatory in the case of repurchase of Company stocks as prescribed by Article 58 of this Law, as well as conclusion of a transaction under part 3 of Article 64 of this Law.

5. In the case when it is necessary to determine the market value of stocks or other securities of a Company, the information on their acquisition, demand and supply prices regularly published in mass media shall be taken into consideration.

In the case of determining the market value of a Company's common (ordinary) stocks it is necessary to take into account the value of the Company's net assets and the price that a buyer who is in possession of complete information about the Company's

property would agree to pay for all the placed common (ordinary) securities of the Company, as well as other factors that the entity (person) establishing the market value of the Company's property will deem important.

The market value of common (ordinary) stocks determined under this point may not be less than the price that was estimated by taking the value of the Company's net assets as a basis.

(Article 59 edited, supplemented by HO-210-N of 25 May 2011)

CHAPTER VIII

MAJOR TRANSACTIONS

Article 60. Major transactions on acquisition and alienation of a Company property

1. The following shall be deemed to be major transactions:
 - a) one or several related transactions which, except for the transactions implemented within the framework of a Company's regular economic activities, are directly or indirectly connected with acquisition, alienation or a possibility of alienation of a Company property the value of which as of the moment of adopting the decision on conclusion of the transaction in question comprises 25 percent or more of the value of the Company's assets.
 - b) one or more related transactions the subject of which is placement of common (ordinary) stocks or preferred stocks convertible into common (ordinary) stocks (except for stocks of investment funds) comprising 25 percent or more of common (ordinary) stocks already placed by the Company.

2. The price of a property constituting a subject of a major transaction shall be determined in the manner prescribed by Article 59 of this Law.

(Article 60 supplemented by HO-273-N of 22 December 2010)

Article 61. Conclusion of major transactions on acquisition and alienation of a Company property

1. A decision on conclusion of a major transaction on a property the value of which as of the moment of adopting the decision on conclusion of the transaction in question comprises from 25 to 50 percent of the book value of the Company's assets shall be adopted by the board unanimously. In such case, the votes of the withdrawn members of the board shall not be taken into account.

If a decision on conclusion of a transaction has not been adopted by the board, the board may adopt a decision on discussing the issue in the meeting.

2. In cases defined by the part 2 of point 1 of this Article, as well as if the value of a property constituting a subject of a transaction, as of the moment of adopting the decision on conclusion of the transaction in question, comprises more than 50 percent of the book value of the Company's assets, the decision on conclusion of the transaction shall be adopted by the meeting by a 3/4 vote of shareholders (owners of voting stocks) participating in the meeting, unless a larger number of votes is prescribed by the charter of the Company.

3. Failure to comply with the requirements of this Article when concluding a major transaction shall not lead to invalidity of the transaction if the person having concluded that transaction with the Company has acted in good faith, i.e., he or she did not know or could not have known that the Company failed to comply with the aforementioned requirements.

(Article 61 supplemented by HO-273-N of 22 December 2010)

CHAPTER IX

INTEREST IN COMPANY TRANSACTIONS

Article 62. Interest in Company transactions

1. A person interested in Company transactions shall mean a person related to the Company in question who:

(a) is a party to the transaction in question or participates in the transaction as an intermediary or a representative;

(b) is a person related to another person who is a party to the transaction in question or participates in the transaction as an intermediary or a representative.

2. Within the meaning of this Law, board members of the Company, members of its executive body, the legal person exercising powers of the executive body or the director or board members of such legal person or other persons provided by the charter of such legal person or an agreement who exercise executive functions, members of the control committee (controller), other persons authorised to act on behalf of the Company, as well as other persons identified as related under the Law of the Republic of Armenia "On securities market", shall be deemed to be related.

(Article 62 amended by HO-202-N of 11 October 2007, edited by HO-210-N of 25 May 2011)

Article 63. Information on interest in Company transactions

(title edited by HO-210-N 25 May 2011)

1. Persons related to a Company shall be obliged to provide information to the executive body of the Company or another body prescribed by the charter on:

(a) the fact that they are a party to or intermediary or representative participating in a transaction before concluding that transaction;

(b) concluded or expected transactions of which they are aware and in which they may be deemed to be interested — within three days upon becoming aware of the information provided by this point.

2. All interested-party transactions of a Company shall be reflected in the annual report of the Company, which shall provide complete and comprehensive information on the transaction parties and conditions, on the nature and scope of the interest, and shall be accompanied by an opinion of an independent evaluator on the conformity of the transaction with the market value.

3. The executive body of a Company or another body provided by the charter shall be obliged to keep, on the basis of the information provided by part 1 of this Article, a register of persons related to the Company.

(Article 63 edited by HO-210-N of 25 May 2011)

Article 64. Procedure for conclusion of interested-party transactions by a Company

1. In a Company with less than 500 shareholders (owners of voting stocks), a decision on conclusion of an interested-party transaction shall be adopted by the board by a majority vote of the board members who are not interested in concluding that transaction.

2. In a Company with 500 or more shareholders (owners of voting stocks), a decision on conclusion of an interested-party transaction shall be adopted by the board by a majority vote of the independent board members who are not interested in concluding that transaction.

An independent board member shall mean a person who does not act as the Company's single-person executive body, i.e., director, general director (hereinafter referred to as "single-person executive body"), or as a member of the Company's collegial executive body, i.e., administration, directorate (hereinafter referred to as "collegial executive body"), and whose spouse, parents, children, sisters and brothers do not hold positions in the governance bodies of the Company.

For the purpose of adopting a decision on conclusion of an interested-party transaction, the board shall come to the following conclusion:

- the payment received by the Company is not less than the market value estimated in the manner prescribed by Article 59 of this Law for the property transferred, service provided to or work done within the scope of the transaction by the Company for the other party to the transaction, or;
- the payment paid by the Company for the property acquired by the Company, service provided to or work done for the Company within the scope of the transaction does not exceed the market value estimated in the manner prescribed by Article 59 of this Law for the aforementioned property, service or work.

3. A decision on conclusion of an interested-party transaction shall be adopted by the meeting by a majority vote of the shareholders who own voting stocks and are not interested in the implementation of the transaction where:

- a) the amount payable under the transaction and the market value — estimated in the manner prescribed by Article 59 of this Law — of the property constituting the subject of the transaction exceeds 10 percent of the value of the Company assets;
- b) the transaction and/or several related transactions are concluded for the purpose of placement of Company voting stocks or other Company securities convertible into voting stocks in a total quantity that exceeds two percent of the voting stocks already placed by the Company.

By the charter of a Company, a larger number of votes may be prescribed for the adoption of the decision provided by this part.

4. A transaction falling under part 3 of this Article may be concluded by the decision of the board where that transaction is a loan extended to the Company.

5. Where all the members of the board have been identified as interested parties, the decision on conclusion of the transaction in question shall be adopted by the meeting by a majority vote of the shareholders not interested in the transaction, unless a larger number of votes is prescribed by the charter of the Company.

6. If an interested-party transaction is at the same time a major transaction involving alienation or acquisition of a Company property, it shall be concluded by taking into account the provisions of Chapter VIII of this Law.

(Article 64 supplemented by HO-273-N of 22 December 2010, amended, edited by HO-210-N of 25 May 2011)

Article 65. Consequences of interested-party transactions

(title edited by HO-210-N of 25 May 2011)

1. A person identified as interested in a transaction shall be held liable in the amount of the damages caused to the Company if the interested-party transaction was concluded in violation of this Law.

A person identified as interested in a transaction shall also be obliged to return to the Company any profit earned by that person on interested-party transactions concluded in violation of this Law.

Persons violating the requirements of Article 63 of this Law shall be held liable for the damage caused to the Company or other persons due to the violation.

2. Where several persons are liable, they shall be held jointly liable to the Company and other interested parties.
3. The requirements set by this Chapter for concluding interested-party Company transactions shall not apply where:
 - (a) all shareholders exercise the preferential right to acquire stocks;
 - (b) conversion of other securities convertible into stocks is carried out;
 - c) the Company acquires placed stocks, provided that all the owners of the stocks of the type (class) in question are equally entitled to sell proportionate amounts of their stocks of that type (class).
4. Where there is only one owner of or nominee holding Company stocks carrying voting rights, the requirements set by this Chapter for interested-party transactions shall not apply.
5. The charter of a closed Company (in which the number of owners of stocks carrying voting rights does not exceed 10) may provide provisions on cases which shall be partially or fully exempt from the requirements of this Chapter.
6. The shareholders of a Company shall have the right to demand:
 - annulment of interested-party transactions concluded in violation of this Law;
 - compensation for any damage caused due to a transaction by persons identified as interested in the transaction;
 - return the profit earned on the transaction to the Company.
7. The approval of an interested-party transaction by the general meeting of shareholders of a Company shall not release persons who have committed violations within the scope of the transaction from the obligation to compensate for the damage caused to the Company or shareholders due to the transaction concluded in violation of this Law.

(Article 65 edited, supplemented by HO-210-N of 25 May 2011)

CHAPTER X
GENERAL MEETING

Article 66. General meeting

1. The meeting is the highest governance body of a Company.

A Company shall be obliged to convene an annual meeting of shareholders every year. The first annual meeting shall be convened after the end of the first fiscal year.

The annual meeting shall be convened within the time limits prescribed by the charter but not later than within six months after the end of the Company's each preceding fiscal year.

Meetings convened in addition to the annual meeting shall be considered extraordinary. Extraordinary meetings shall be convened to discuss urgent issues.

2. The year, month, day of and procedure for holding a meeting, as well as the procedure for notifying the shareholders of holding a meeting, the list of materials provided to the shareholders shall be defined by the board in accordance with the requirements of this Law.

Article 67. Powers of the meeting

1. The following shall be within the competence of the meeting:

- a) approval of the charter, making amendments and supplements thereto, approving the restated charter;
- b) reorganisation of the Company;
- c) liquidation of the Company;

- d) approval of the final, interim and liquidation balance sheets, appointing the liquidation committee;
- e) approval of the number of board members, election of board members and early termination of their powers. Issues concerning the approval of the number of board members and the election of board members shall be discussed exclusively in annual meetings. Issue concerning the election of board members may be discussed in an extraordinary meeting where the latter has adopted a decision on early termination of the powers of the board or individual members thereof.
- f) prescribing the maximum number of authorised stocks;
- g) increasing the authorised capital of the Company by way of increasing the nominal value of stocks or placing additional stocks;
- h) reduction of the authorised capital of the Company by way of decreasing the nominal value of stocks, by way of acquisition by the Company of placed stocks for the purpose of reducing the total number of stocks, as well as redemption of stocks acquired or repurchased by the Company;
- i) formation of the executive body of the Company (single-person or collegial), early termination of its powers, unless the charter does not vest this power in the board;
- j) election of the members of the control committee (controller) of the Company and early termination of their (his or her) powers. Issues concerning the election of the control committee (controller) members of the Company shall be discussed exclusively in annual meetings. Issues concerning the election of the control committee (controller) members of the Company may be discussed in an extraordinary meeting where the latter has adopted a decision on early termination of the powers of the control committee (controller) or individual members thereof;
- k) approval of the Company's auditor;

- l) approval of the Company's annual reports, accounting balance sheets, profit and loss accounts, the distribution of profits and losses, as well as adopting a decision on payment of annual dividends and approving the amount of annual dividends. The mentioned issues shall be discussed exclusively in annual meetings. If an annual meeting has not taken place in the prescribed time limits, an extraordinary meeting may be summoned only for the purpose of discussing issues concerning the liquidation of the Company or the issues referred to in this sub-point. No other issues may be discussed in an extraordinary meeting summoned to discuss the mentioned issues, except for issues related to the reduction of the authorised capital triggered by the decisions adopted on the issues referred to in this sub-point;
- m) according to point 3 of Article 47 of this Law, adoption of a decision on non-application of the preferential right of Company shareholders owning Company stocks or other Company securities convertible into stocks;
- n) procedure for conducting the meeting;
- o) formation of the ballot committee;
- p) deciding on the method of delivering information and materials to the shareholders by the Company, including selecting the relevant mass media outlet where the delivery should be carried out in the form of a public announcement as well;
- q) consolidation and splitting of stocks;
- r) adoption of a decision on conclusion of transactions in cases provided by Article 64 of this Law;
- s) adoption of a decision on conclusion of transactions in cases provided by point 2 of Article 61 of this Law;
- t) in cases provided by this Law, acquisition and repurchase of stocks placed by the Company;

- u) determining the conditions for remuneration of head officials of the Company (chairperson or member of the board, director, general director or member of the administration or directorate);
- v) establishment of daughter and dependent companies;
- w) participation in daughter and dependent companies;
- x) establishment of holding companies or other associations of commercial organisations;
- y) participation in holding companies and other associations of commercial organisations;
- z) adoption of other decisions provided by this Law and the charter;
- aa) adoption of decisions in cases and as prescribed by the Law of the Republic of Armenia on "Securities market".

The meeting shall exercise the powers referred to in sub-points (v) to (y) where they are not assigned to the board by the charter or the decision of the meeting.

2. Adoption of decisions on issues prescribed by point 1 of this Article shall be within the exclusive competence of the meeting and may not be transferred to the board or the executive body, except for issues prescribed by part 2 of this point.

By the decision of the meeting, the adoption of decisions on issues prescribed by sub-points (w) and (y) of point 1 of this Article may be transferred to the executive body of the Company, and on issues prescribed by sub-points (g), (i), (t) and (v) to (y) may be transferred to the board.

3. The meeting shall not have the right to discuss and adopt decisions on issues that are outside its competence prescribed by this Law.

(Article 67 amended, supplemented by HO-202-N of 11 October 2007)

Article 68. Decisions of the meeting

1. With the exception of cases prescribed by this Law, the following persons shall enjoy a voting right in the meeting:

- a) shareholders owning common (ordinary) stocks of the Company;
- b) shareholders owning preferred stocks of the Company, in cases prescribed by this Law and the charter.

A stock carrying voting rights (a voting stock) is a common (ordinary) or preferred stock that grants its owner the right to participate in the vote on an issue put to a vote. Where a preferred stock grants its owner a right to more than one vote, each of the votes granted by that preferred stock shall be counted as a separate voting stock when counting the number of voting stocks.

2. Decisions of the meeting shall be adopted by a simple majority vote of the owners of voting stocks participating in the meeting, unless a larger number of votes is prescribed by this Law or the charter of the Company.

3. Decisions on issues referred to in sub-points (b), (m), (p) and (q) to (t) of point 1 of Article 67 of this Law shall be adopted by the meeting only upon the recommendation of the board, unless otherwise provided by this Law and the charter.

4. Decisions on issues referred to in sub-points (a), (b), (d), (f) and (s) of point 1 of Article 67 of this Law shall be adopted by the meeting by a 3/4 vote of the owners of voting stocks participating in the meeting, unless a larger number of votes is prescribed by the charter of the Company.

5. Decisions on issues defined in sub-points (c) and (h) of point 1 of Article 67 of this Law shall be adopted by the meeting by a 3/4 vote of the owners of voting stocks participating in the meeting, but not less than a 2/3 vote of the owners of voting stocks, unless a greater number of votes is prescribed by the charter of the Company.

6. Where there is only one owner of or nominee holding Company stocks carrying voting rights, decisions of the meeting may be adopted in the form of written decisions of that person. Decisions of a legal person shareholder shall be adopted by a body vested with such powers by the charter of that legal person.

7. In general meetings of Companies with state-owned stocks, authorised state bodies or persons authorised by said bodies shall participate in the adoption of decisions on issues prescribed by sub-points (b), (c) and (h) of point 1 of Article 67 of this Law only if the Government has adopted a corresponding decision.

8. In general meetings of Companies with community-owned stocks, the head of the relevant community or the person authorised by the latter shall participate in the adoption of decisions on issues prescribed by sub-points (b), (c) and (h) of point 1 of Article 67 of this Law only if the head of the community has adopted a corresponding decision (with the consent of the council of elders).

9. The procedure for adopting decisions on the procedure for conducting the meeting shall be prescribed by the charter or internal documents approved by the meeting.

10. The meeting shall not have the right to change the meeting agenda or adopt decisions on issues not included in the agenda.

11. Information on the decisions adopted by the meeting as well as the voting results shall be presented to the shareholders of a Company in the manner and time limits prescribed by this Law and the charter within 45 days upon adopting such decisions.

12. If a decision of the meeting was adopted unanimously by all the owners or (sic) of stocks carrying voting rights, a violation of the requirements prescribed by point 2 of Article 58, point 10 of Article 68, point 4 of Article 69, points 2 to 6 of Article 70, Article 71, Article 73, the second-fourth parts of point 1, point 2 and the first part of point 4 of Article 74, Article 75 and Articles 79 to 81 of this Law shall not serve as a ground for annulling the decisions adopted on such grounds.

13. A shareholder shall have the right to appeal, through judicial procedure, against any decision of the meeting that has been adopted in violation of the requirements of this Law, other legal acts and the charter. A court shall have the right to uphold the decision of the meeting where the participation of that shareholder in the vote could not have affected the voting results and the violations were not material.

(Article 68 supplemented by HO-273-N of 22 December 2010, amended by HO-24-N of 21 December 2015)

Article 69. Decisions of the meeting adopted by absent voting (inquiry)

1. Decisions of the meeting may be adopted by absent voting (inquiry). Annual meetings, as well as extraordinary meetings summoned in cases defined in sub-point (l) of point 1 of Article 67 of this Law, may not be held by absent voting (inquiry) except for cases provided by part 5 of this Article.

2. A decision of the meeting adopted by absent voting shall have legal force if more than half of the owners of a Company's voting stocks have participated in the vote.

3. Absent voting shall be carried out by the use of ballot papers meeting the requirements of Article 79 of this Law.

4. When conducting a distance voting, the ballot papers shall be provided to the shareholders at least 30 days before the Company will have finished accepting filled-in ballot papers.

5. Where nominees are also included in the list of shareholders (nominees) of a Company, said nominees shall be entitled to vote by absent voting (inquiry).

(Article 69 supplemented by HO-24-N of 21 December 2015)

Article 70. Right to participate in the meeting

1. The following persons shall have the right to participate in the meeting:
 - a) shareholders owning (nominees holding) common (ordinary) stocks of the Company, with a number of votes proportional to the number and nominal value of their stocks;
 - b) shareholders owning (nominees holding) preferred stocks of the Company, with a number of votes proportional to the number and nominal value of their preferred stocks;
 - c) members of the board and the executive body who are not shareholders of the Company, with an advisory vote;
 - d) members of the Company's control committee (controller);
 - e) Company's auditor (where the auditor's opinion is attached to the materials of the meeting convened).
2. The list of shareholders (nominees) having the right to participate in the meeting shall be drawn up on the basis of the data (list) provided by the registrar as prescribed by Article 197 of the Law of the Republic of Armenia "On securities market" as of the year, month, day set by the board. Moreover, where the registrar provides a Company with data on Company shareholders (nominees) received with a delay and/or corrected and/or additional data referred to in part 10 of Article 197 of the Law of the Republic of Armenia "On securities market", the Company shall be obliged to permit those shareholders (nominees) of the Company to participate in the meeting as prescribed by this Law; however, the Company shall not be obliged to notify the shareholders (nominees) of convening a meeting.

The year, month, day of drawing up the list of shareholders having the right to participate in the meeting shall not be set earlier than the adoption of the decision on convening the meeting or later than 60 days after the meeting has been convened.

Where the meeting is convened by absent voting, the year, month, day of drawing up the list of shareholders having the right to participate in the meeting shall be set at least 35 days prior to the date of convening the meeting.

3. ***(part repealed by HO-24-N of 21 December 2015)***

4. The list of shareholders (nominees) having the right to participate in the meeting shall contain information on the personal name (business name), principal place of business (place of residence) of each shareholder as well as on stocks owned by them. Where the data (list) provided by the registrar as prescribed by Article 197 of the Law of the Republic of Armenia, do not disclose — on the grounds referred to in the same Article — information on some or all of the shareholders of a Company, data on the personal name (business name), principal place of business of the nominee(s) representing those shareholders, as well as on each type and class of stocks registered in the name of the nominee, shall be provided instead of the data on the shareholders not disclosed in the list of shareholders (nominees) having the right to participate in the meeting.

5. The list of shareholders (nominees) having the right to participate in the meeting shall be provided for information to those shareholders (nominees) of the Company who are registered in the Company's register of shareholders (nominees) and hold at least 10 percent of the Company voting stocks.

6. Changes to the list of shareholders having the right to participate in the meeting may be made only to correct any mistakes made at the time of drawing up the list or to restore any infringed lawful rights and interests of shareholders who were not included in the list.

(Article 70 edited and amended by HO-24-N of 21 December 2015)

Article 71. Notification on convening a meeting

1. The persons referred to in point 1 of Article 70 of this Law shall be notified of convening a meeting by means of sending an appropriate written notice to them and, if so provided by the decision on convening the meeting, by means of public notice as well, unless the charter provides other methods of notification.

The methods of notifying about convening a meeting, including the press outlet where the notice must be published, shall be prescribed by the charter or the decision of the meeting.

Where the charter does not prescribe any specific method of notification, the notification of shareholders of the meeting as well as provision of ballot papers to the persons referred to in point 1 of Article 70 of this Law shall be carried out by means of sending registered letters or delivering them in person.

2. The time limits for notifying the shareholders of convening a meeting shall be defined by the charter.

A Company with more than 50 shareholders (owners of voting stocks) shall be obliged to notify its shareholders of convening a meeting at least 15 days prior to the date of convening the meeting and as prescribed by point 1 of this Article.

3. The notice on the meeting shall contain:

- (a) trade name and principal place of business of the Company;
- (b) year, month, day, time and place of convening the meeting;
- (c) year, month, day of drawing up the list of shareholders having the right to participate in the meeting;
- (d) issues included in the agenda of the meeting;

(e) the procedure for introducing the information and materials on the issues to be discussed in the meeting to the shareholders; said information and materials must be presented to the shareholders in the course of preparations for the meeting;

4. The information and materials to be presented to the shareholders in the course of preparations for the annual meeting shall include:

(a) the annual report of the Company;

(b) the opinion of the Company's control committee (controller) and the Company's auditor on the annual financial and economic activity of the Company;

(c) information on the candidates nominated for the board and control committee (controller);

(d) draft amendments and supplements to the charter or the draft restated charter.

Laws and other legal acts may also define an additional list of information to be presented to the shareholders in the course of preparations for a meeting.

5. When a meeting is convened by absent voting, along with ballot papers and the meeting agenda, the information and materials prescribed by point 4 of this Article shall also be sent to all shareholders having the right to participate in the meeting.

6. If a person registered in a Company's register of shareholders is a nominee holding securities, the notice on convening a meeting shall be sent to that nominee. A nominee shall be obliged to forward the notice to the persons whose interests that nominee represents for the period prescribed by Law, other legal acts or the agreement concluded between the nominee and said persons.

Article 72. Recommendations concerning the annual meeting agenda

1. Company shareholder(s) owning at least two percent of the voting stocks shall have the right, within 30 days following the end of the Company's fiscal year or within longer time limits defined by the charter, to submit not more than two recommendations concerning the annual meeting agenda as well as nominate candidates for members of the board and control committee (controller). The number of nominated candidates may not exceed the established number of members of those bodies.
2. Recommendations concerning the annual meeting agenda shall be submitted in writing, specifying the grounds for raising that particular issue, the name (business name) of the shareholder(s) raising the issue, the number of each type and class of stocks belonging to said shareholder(s) and the signature or facsimile reproductions of the signature of the author(s) of the recommendation.
3. When submitting recommendations concerning candidates for members of the board and control committee (controller), including when nominating oneself, the name (business name) of the candidate, information on whether or not the candidate is a shareholder of the Company, the number of each type and class of Company stocks belonging to the candidate, the names (business names) of the Company shareholders nominating the candidate, the number of each type and class of Company stocks belonging to the latter shareholders shall be specified.
4. The board shall be obliged to discuss, within 15 days following the expiry of the time limit prescribed by point 1 of this Article, the submitted recommendations and adopt a decision on including them or rejecting their inclusion in the annual meeting or in the list of candidates. The board may adopt a decision on rejecting the inclusion of submitted recommendations in the annual meeting agenda or the list of candidates only where:

(a) the shareholder(s) having submitted the recommendation has (have) violated the time limit prescribed by point 1 of this Article;

(b) the number of Company voting stocks owned by the shareholder(s) having submitted the recommendation is less than the number prescribed by point 1 of this Article;

(c) the data prescribed by point 3 of this Article is incomplete or missing;

(d) the recommendation does not comply with the requirements of this Law or other legal acts.

5. The board shall send its justified decision on rejecting the inclusion of a submitted recommendation in the annual meeting or in the list of candidates to the shareholder(s) having made the recommendation or having nominated the candidate within three days upon the adoption of the decision.

6. A decision of the board on rejecting the inclusion of a submitted recommendation in the annual meeting or in the list of candidates may be appealed against through judicial procedure.

Article 73. Preparations for a meeting

In the course of preparations for a meeting, the board and, in cases provided by point 6 of Article 74 of this Law, the persons convening the meeting shall decide on:

(a) the year, month, day, time and place of convening the meeting;

(b) meeting agenda;

(c) the year, month, day of drawing up the list of shareholders having the right to participate in the meeting;

(d) the procedure for notifying the shareholders of convening the meeting;

(e) the list of information and materials to be provided to the shareholders in the course of preparations for the meeting;

(f) if the votes will be carried out by ballot papers, the form and content of the ballot papers.

Article 74. Extraordinary meeting

1. An extraordinary meeting shall be convened by the decision of the board either on its own initiative or upon the request of the Company's executive body, control committee (controller), the Company's auditor or shareholder(s) owning, as of the date of submitting such request, at least 10 percent of the Company voting stocks. A decision of the board on convening an extraordinary meeting shall prescribe the form of convening the extraordinary meeting, which may be convened either by joint attendance of the shareholders or absent voting. The board may not change the form of convening a meeting, by its decision where it is already specified in the request, referred to in this point, for convening the extraordinary meeting.

A decision of the board on convening an extraordinary meeting by absent voting shall prescribe:

(a) the form and content of the ballot papers;

(b) the year, month, day of delivering the ballot papers, information and materials to be provided to the shareholders to the Company shareholders;

(c) the year, month, day of the deadline for accepting, by the Company, ballot papers filled-in by shareholders.

When there is a request from the Company's executive body, control committee (controller), the Company's auditor or shareholder(s) owning, as of the date of submitting such request, at least 10 percent of the Company voting stocks, the board

must convene an extraordinary meeting within 45 days upon the submission of the request.

2. The request of the Company's executive body, control committee (controller), the Company's auditor or shareholder(s) owning, as of the date of submitting such request, at least 10 percent of the Company voting stocks shall specify the issues recommended for inclusion in the meeting agenda as well as justifications as to why it is necessary to discuss them.

The board shall not have the right to make changes to the agenda proposed by the Company's executive body, control committee (controller), the Company's auditor or shareholder(s) owning, as of the date of submitting such request, at least 10 percent of the Company voting stocks or to change the wording of the issues recommended for discussion, except for the case when the proposed agenda issues are not within the competence of the meeting prescribed by this Law and the charter.

3. Where a request for convening an extraordinary meeting is submitted by shareholder(s) owning at least 10 percent of the voting stocks of a Company, such request shall contain the name (business name) of the requesting shareholder(s), the number of each type and class of stocks belonging to said shareholder(s).

A request for convening an extraordinary meeting shall be signed by the person(s) submitting the request.

4. A decision of the board on convening or refusing to convene an extraordinary meeting shall be adopted within 10 days upon receiving the request of the Company's executive body, control committee (controller), the Company's auditor or shareholder(s) owning, as of the date of submitting such request, at least 10 percent of the Company voting stocks.

The board may adopt a decision on refusing to convene an extraordinary meeting only where:

- (a) the procedure for submitting a request for convening an extraordinary meeting prescribed by this Law has been violated;
- (b) the number of Company voting stocks owned by the shareholder(s) having submitted the request for convening an extraordinary meeting is less than the number prescribed by point 1 of this Article;
- (c) none of the issues of the extraordinary meeting agenda are within the competence of the meeting prescribed by this Law and the charter;
- (d) the issue recommended for inclusion in the meeting agenda does not comply with the requirements of this Law or other legal acts.

5. A decision of the board on convening or refusing to convene an extraordinary meeting shall be sent to the requesting persons within three days upon the adoption of the decision.

A decision of the board on convening or refusing to convene an extraordinary meeting may be appealed against through judicial procedure.

6. If the board does not adopt a decision on convening an extraordinary meeting within the time limit prescribed by this Article or adopts a decision on refusing to convene such meeting, the extraordinary meeting may be convened by the persons who had requested the convening of such meeting.

In such cases, the extraordinary meeting may adopt a decision for the Company to compensate for the expenses related to the convening of the meeting.

Article 75. Ballot committee

1. In a Company with more than 50 shareholders (owners of voting stocks), a ballot committee shall be created, the number and the duration of powers of the members of which shall be established by the decision of the meeting upon the recommendation of the board.

2. A ballot committee may not consist of less than three members. Members of the board, members of the control committee (controller), the director (general director) of the Company or members of the Company's directorate or administration as well as persons nominated for such positions may not be members of the ballot committee.

3. In a Company with more than 500 shareholders (owners of voting stocks), the functions of the committee may be assigned to the Company's specialised registrar.

4. The ballot committee shall decide on the meeting quorum, explain to the shareholders and their representatives the procedure for voting on the agenda issues in the meeting, secure the prescribed voting procedure, as well as the right of the shareholders to participate in the vote, count the votes, summarise the voting results, draw up minutes thereon and transfer the ballot papers to the Company's archive.

Article 76. Procedure for participation of shareholders in a meeting

1. Shareholders of a Company may exercise their right to participate in a meeting either personally or through an authorised representative.

Shareholders shall have the right to change their authorised representative at any time or participate in a meeting personally.

In a meeting, a shareholder's representative shall act on the basis of the Code, laws, legal acts of state and local self-government bodies, as well as a written letter of authorisation. A letter of authorisation shall contain information on the shareholder or the shareholder's representative (name or business name, place of residence or principal place of business, passport data or data on state registration). A letter of

authorisation shall be drawn up in the manner prescribed by the Code, other laws and legal acts.

Except for the case provided by the seventh paragraph of part 1 of this Article, a shareholder's representative may participate in a meeting only upon availability of a letter of authorisation.

Upon availability of two or more letters of authorisation issued by the same shareholder, the most recent letter of authorisation shall be deemed to be in force.

Heads of legal person shareholders of a Company shall participate in a meeting without a letter of authorisation.

No letter of authorisation shall be required from a nominee holding stocks of the Company in question for participating in a meeting on behalf of the shareholder(s), and the powers of the nominee shall be certified as prescribed by Article 96.1 of this Law.

2. Where Company stocks have been transferred to another person after the year, month, day of drawing up the list of shareholders having the right to participate in the meeting, but before the year, month, day of convening the meeting, the relevant shareholder included in said list shall be obliged to provide the persons who have acquired said shareholder's stocks with a letter of authorisation to vote or shall be obliged to vote at the meeting in accordance with the instructions of the new owner of stocks. The aforementioned procedure shall be applied in the case of any further transfer of stock as well.

(Article 76 supplemented by HO-24-N of 21 December 2015)

Article 77. Meeting quorum

1. A meeting shall be eligible (a quorum shall be deemed present) if, at the time of closing the registration of the meeting participants, Company shareholders (their

representatives) jointly owning more than 50 percent of the placed voting stocks of the Company have registered.

Where a meeting will last more than one day, for each day a separate registration of the meeting participants shall be carried out.

2. Where ballot papers have been sent to a Company's shareholders as prescribed by this Law, the Company shall, for the purposes of establishing a quorum and summarising the voting results, also take into account the votes by the ballot papers received as of the time of closing the registration of the meeting participants.

3. In the absence of a quorum, the year, month, day of a new meeting shall be announced. When convening a new meeting, changes to the agenda shall not be allowed.

The new meeting convened instead of the meeting that did not take place shall be eligible if at the time of closing the registration of the participants, Company shareholders (their representatives) jointly owning more than 30 percent of the placed voting stocks of the Company have registered.

Company shareholders shall be notified of convening a new meeting as prescribed by point 1 of Article 71 of this Law and in cases prescribed by point 2 of Article 71 of this Law, at least 10 days prior to convening the meeting.

If the date of convening the meeting that was not held due to the absence of a quorum is shifted for less than 20 days, a new list of shareholders having the right to participate in the new meeting shall not be drawn up.

Article 78. Voting at the meeting

Votes at meetings shall be held on the principle of “one voting stock of a Company, one vote”, except in the case of election of board members and other cases provided by this Law in which the principle of cumulative voting shall be applied.

When applying the principle of “one voting stock of a Company, one vote”, the number of votes attributed to preferred stocks shall be counted as prescribed by point 1 of Article 68 of this Law.

Article 79. Ballot papers

1. At meetings of a Company with more than 50 shareholders (owners of voting stocks), votes shall be held by ballot papers.

A Company with more than 500 shareholders (owners of voting stocks) shall be obliged to provide the shareholders with ballot papers in the manner and within the time limits prescribed by Article 71 of this Law and accept them pursuant to the provisions of Article 77 of this Law. Ballot papers shall be sent to shareholders through registered letters or delivered in person, unless otherwise provided by the charter.

2. The form and content of a ballot paper shall be approved by the decision of the board. Except for the case provided by the second part of point 1 of this Article, ballot papers shall be given to the shareholders (their representatives) registered for participation in the meeting if it has been established that a quorum of the meeting is present.

3. A ballot paper shall contain the following information:

- (a) trade name of the Company;
- (b) year, month, day, time and place of convening the meeting;
- (c) the wording of each issue put to a vote and the order in which it will be discussed;
- (d) voting options for each issue put to a vote: "for", "against" and "abstain".

In the case of cumulative voting, a ballot paper shall provide the specific aspects of

the voting procedure. Where a nominee participates in a vote on behalf of shareholder(s), the ballot paper shall contain fields wherein it will be possible to specify how many shareholders represented by that nominee have voted "for", "against" or "abstain" on each issue put to a vote;

(e) year, month, day, time and place of accepting filled-in ballot papers by the Company where a shareholder votes by absent voting;

(f) an instruction that the ballot paper shall be signed by the shareholder (representative);

(g) explanation on how to fill in the ballot paper.

In the case of election of a member of the board or control committee (controller), the ballot paper shall, in addition to the names of the candidates, contain other identification data thereon.

(Article 79 supplemented by HO-24-N of 21 December 2015)

Article 80. Counting of the results of ballot-based voting

In the case of ballot-based voting, a vote on an issue shall be counted only if the relevant voter has chosen only one voting option. Ballots papers filled in in violation of this requirement shall be considered invalid and shall not taken into consideration during vote counting. Where a ballot paper contains several issues put to a vote, the violation of the mentioned requirement in the case of one or several issues shall not result in the invalidity of the entire ballot paper.

Article 81. Minutes on voting results

1. A Company's ballot committee or the person performing the functions thereof shall draw up minutes on the voting results which shall be signed by the members of the ballot committee or the person performing the functions thereof.

2. Immediately upon drawing up and signing the minutes, the ballot papers shall be sealed by the ballot committee or the person performing the functions thereof and transferred to the Company's archive for preservation.

3. The voting results shall be announced at the meeting or the shareholders shall be informed of the voting results after the the meeting is over by means of either publishing a report or sending it to the shareholders.

Company shareholders shall have reading access to the minutes of the Company's voting results.

Article 82. Meeting minutes

1. Meeting minutes shall be drawn up within five days after the meeting is over and in at least two copies, which shall be signed by the meeting chairperson and secretary. The meeting chairperson shall be liable for the accuracy of the information contained in the meeting minutes.

2. The following shall be specified in the minutes:

(a) the year, month, day, time and place of convening the meeting;

(b) the total number of votes of the placed voting stocks of the Company;

(c) the total number of votes belonging to the shareholders having participated in the meeting;

(d) the meeting chairperson (presidium) and secretary (secretariat), the meeting agenda.

The minutes shall contain the main provisions of the speeches made during the meeting, issues put to a vote, corresponding voting results and the decisions adopted by the meeting.

Shareholders of a Company shall have reading access to the meeting minutes.

CHAPTER XI

BOARD AND EXECUTIVE BODY

Article 83. Board

1. The board carries out general management of a Company's activities, except for the issues that are within the exclusive competence of the meeting pursuant to this Law and the charter.

The creation of a board shall be mandatory in a Company with 50 or more shareholders.

If a Company with less than 50 shareholders does not create a board, its powers shall be exercised by the meeting. In such case, the charter shall contain provisions on the person or the body of the Company that has the right to adopt decisions on issues prescribed by sub-points (b) to (d) of the second part of point 1 of Article 84 of this Law.

2. By the decision of the meeting, honorarium and/or compensation for the expenses related to the performance of the duties of a board member may be established for board members. The amount of the honorarium and/or compensation as well as the procedure for payment thereof shall be established by the decision of the meeting.

3. A Company shall maintain a register of the board members to which the Company's shareholders shall have reading access and which shall contain the following data on the board members:

- (a) name and the year, month, day of birth;
- (b) place of work and/or residence and telephone number;
- (c) occupation, profession and education;

- (d) the year, month, day of being elected as a member of the board and the year, month, day of dismissal from membership in the board (if such has occurred);
- (e) how many times he or she has been re-elected as a member of the board;
- (f) the number of Company voting stocks belonging to a board member who is a shareholder of the Company;
- (g) information on other legal persons wherein the mentioned person holds management positions (chairperson or a member of the board, director, general director or a member of the administration or directorate, etc.);
- (h) other data prescribed by the charter or by the rules of procedure of the board.

Article 84. Powers of the board

1. The following shall be within the exclusive competence of the board:
 - (a) determining the main directions of the Company's activities;
 - (b) convening annual and extraordinary meetings, except for cases provided by point 6 of Article 74 of this Law;
 - (c) approval of the meeting agenda;
 - (d) approval of the year, month, day of drawing up the list of shareholders having the right to participate in the meetings, as well as resolving all the issues which concern the preparations for and convening of the meetings and are within the competence of the board pursuant to the provisions of Chapter X of this Law;
 - (e) submitting issues — provided by sub-points (b), (m), (p) and (q) of point 1 of Article 67 of this Law — for discussion at meetings;

- (f) increasing the authorised capital by way of increasing the nominal value of stocks or placing additional stocks, if it is vested with such powers by the charter or the decision of the meeting;
- (g) placement of bonds and other securities, unless the charter provides otherwise;
- (h) determining the market value of a property as prescribed by Article 59 of this Law;
- (i) acquisition of placed stocks, bonds and other securities of the Company in cases provided by this Law;
- (j) formation of the executive body of the Company, early termination of its powers, the procedure for and conditions of remuneration and payment of compensation for expenses to the director (general director), members of the administration and directorate, where the board is vested with such powers by the charter;
- (k) preparation of recommendations for the meeting on the procedure for and conditions of remuneration and payment of compensation for expenses to the Company's control committee (controller);
- (l) establishment of the amount payable to the Company's auditor;
- (m) preparation of recommendations for the meeting on the amount and procedure for payment of the annual dividends payable for Company stocks;
- (n) establishment of the amount and procedure for payment of interim (quarterly and semi-annual) dividends payable for Company stocks;
- (o) using the reserve fund and other funds of the Company;
- (p) approval of internal documents regulating the activities of the Company's governance bodies;
- (q) establishment of daughter and dependent companies, participation in such Companies, where the board is vested with such power by the charter and

the decision of the meeting and if such participation does not constitute a major transaction;

- (r) establishment of branches, representative offices and institutions of the Company;
- (s) participation in other organisations if such participation does not constitute a major transaction;
- (t) conclusion of major transactions on alienation and acquisition of a Company property in cases provided by Chapter VIII of this Law;
- (u) conclusion of transactions provided by Chapter IX of this Law;
- (v) approval of the administrative and organisational structure of the Company;
- (w) approval of the estimate of annual expenses and the performance report thereon;
- (x) approval of the list of the Company's staff positions;
- (y) resolving other issues provided by this Law and the charter.

2. Issues within the exclusive competence of the board may not be delegated to the executive body of the Company for resolution.

3. In the case provided by the second part of point 1 of Article 83 of this Law, issues within the exclusive competence of the board shall be within the competence of the meeting, except for issues provided by sub-points (f), (i), (m) and (v) to (x) of point 1 of this Article, which may, under the charter or by the decision of the meeting, be delegated to the executive body of the Company for resolution.

Article 85. Board elections

1. Board members shall be elected in the annual meeting or, in the case of early termination of the powers of board members, in an extraordinary meeting, in the manner prescribed by this Law and the charter.

The powers of board members shall terminate upon the election of the next set of the board members. The total duration of powers of board members shall not be limited.

The meeting may decide on early termination of powers of any member (all the members) of the board.

If board members were elected by cumulative voting, the meeting may adopt a decision on early termination of powers only with regard to all board members.

2. Company shareholders owning, as of the date of drawing up the list of shareholders having the right to participate in the meeting, 10 percent or more of the placed voting stocks of the Company shall have the right to become a board member or appoint their representative without any election. Nominees shall also enjoy this right.

Each shareholder may fill only one place in the board.

3. In a Company with 500 or more shareholders (owners of voting stocks), board elections shall be carried out by cumulative voting.

In a Company with less than 500 shareholders (owners of voting stocks), board elections may be carried out by cumulative voting where so provided by the charter.

In a cumulative voting, the number of votes for each voting stock shall be equal to the number of board members being elected (re-elected).

When voting, a shareholder may cast all of the votes belonging to that shareholder in favour of one candidate or distribute them amongst several candidates.

Candidates having received the maximum number of votes shall be deemed to be elected as board members.

4. The number of board members shall be defined by the decision of the meeting and may not be less than three. The limitation prescribed by this point shall not extend

to the persons who have the right to become a board member without any election pursuant to point 2 of this Article.

5. A person who is not a shareholder of a Company may be a board member unless prohibited by the charter.

The representatives of the executive body of a Company may not constitute a majority in the board.

Other limitations and requirements may be established for board members by the charter and the rules of procedure of the board approved by the meeting.

Article 86. Board chairperson

1. The board chairperson shall be elected by the board members from amongst themselves by a majority vote of all board members, unless otherwise provided by the charter.

The board may re-elect its chairperson or elect a new chairperson at any time by a majority vote of all board members, unless otherwise provided by the charter.

In a Company with less than 500 shareholders (owners of voting stocks), the positions of the board chairperson and the director (general director) may be combined.

Except for the case referred to in the third part of this point, the board chairperson may not hold any other paid position in the Company.

2. The board chairperson shall:

- (a) organise the activities of the board;
- (b) convene and chair the board meetings;
- (c) organise the taking of minutes;
- (d) chair the meetings unless otherwise provided by the charter.

3. In the absence of the board chairperson, his or her duties shall, by the decision of the board, be performed by one of the members of the board.

Article 87. Board meetings

1. Board meetings shall be convened by the board chairperson on his or her own initiative and upon the request of a board member, the Company's control committee (controller), auditor, executive body, as well as of other persons prescribed by the charter. The procedure for convening and holding board meetings shall be prescribed by the charter or the rules of procedure of the board approved by the meeting. The board may adopt decisions by absent voting (by means of inquiry) unless otherwise provided by the charter.

2. The quorum of the board meetings shall be prescribed by the charter, but it may not be less than half of the board members. Where the number of board members falls to less than half of the number prescribed by the charter, the Company shall convene an extraordinary meeting to complete it as decided by the board. The board shall not have the right to adopt any other decisions except for this one, as well as other decisions conditioned by convening a meeting.

3. The decisions of the board shall be adopted by a majority vote of the board members who are present at the meeting, unless otherwise provided by this Law, charter or the rules of procedure of the board approved by the meeting. In a voting, each member of the board shall have one vote. Transfer of votes and voting rights from one board member to another (or to any third party) shall not be permitted. The board chairperson shall have the right to a casting vote unless otherwise provided by the charter.

4. Board meetings shall be minuted. Minutes of a board meeting shall be drawn up within five days after the board meeting is over. The minutes shall specify:

- (a) the year, month, day, time and place of convening the board meeting;
- (b) the participants of the meeting;
- (c) the agenda of the board meeting;
- (d) the issues put to a vote and the voting results;
- (e) the decisions adopted at the board meeting.

Minutes of a board meeting shall be signed by all the members participating in the board meeting who shall be liable for the accuracy of the information contained in the minutes.

Article 88. Executive body of a Company; single-person executive body of a Company

1. Management of current activities of a Company shall be carried out by the executive body of the Company, i.e. by the single-person executive body or by the single-person executive body of the Company and the collegial executive body of the Company.

Where both single-person and collegial executive bodies are provided for by the charter, the charter shall distinguish the competences of each. In such case, the person who performs the functions of the single-person executive body shall also perform the functions of the chairperson of the collegial executive body.

2. All issues concerning the management of current activities of a Company shall be within the competence of the executive body of the Company, except for issues that, under this Law and the charter, are within the exclusive competence of the meeting or the board.

The executive body of a Company shall organise the implementation of the decisions of the meeting and the board.

The formation of executive bodies of the Company and early termination of the powers thereof shall be carried out by the decision of the meeting, unless the charter vests those powers in the board.

By the decision of the meeting, the powers of the executive body of a Company may be delegated under an agreement to a commercial organisation (management organisation) or an individual entrepreneur (manager).

Rights and obligations of the members of the single-person executive body, members of the collegial executive body, the management organisation or the manager shall be prescribed by this Law, other legal acts and the agreement concluded between the Company and each of them. On behalf of the Company, the agreement shall be signed by the board chairperson or another person authorised by the board.

Where the same person holds the positions of both the board chairperson and the single-person executive body, the agreement with the director, general director shall, by the decision of the board, be concluded by one of the board members.

3. A Company's director (general director) shall:

- (a) manage the Company's property, including finances, and conclude agreements on behalf of the Company;
- (b) represent the Company in the Republic of Armenia and abroad;
- (c) act without a letter of authorisation;
- (d) issue letters of authorisation;
- (e) conclude, in the manner prescribed, agreements, including labour agreements;
- (f) open, in the name of the Company, current and other bank accounts (including foreign currency accounts);

- (g) submit the internal work regulation of the Company, the regulations of its separated subdivisions, the administrative and organisational structure and the list of staff positions of the Company to the board for approval;
- (h) conduct the acquisition or repurchase of the stocks placed by the Company where this power is vested in the executive body by the decision of the meeting or by the charter;
- (i) issue orders, directives, binding instructions and supervise their implementation within the scope of its competence;
- (j) accept Company employees for employment and dismiss them from work in the manner prescribed;
- (k) apply incentives and impose disciplinary action on employees.

The charter may also prescribe other powers of the Company director (general director).

4. The single-person executive body, the members of the collegial executive body may hold paid positions in other organisations only with the consent of the board.

5. The meeting shall, at any time, have the right to terminate the agreements concluded with the members of the single-person executive body, members of the collegial executive body, the management organisation and the manager, unless the charter reserves the resolution of this issue to the board.

Article 89. Collegial executive body

1. A collegial executive body shall act on the basis of the charter, as well as internal documents (rules of procedure, work regulations and other documents) of the Company approved by the board, which define the time limits and the procedure

for convening and holding meetings of the executive board, as well as the procedure for adopting decisions thereby.

2. Meetings of the collegial executive body shall be minuted. The board, the Company's control committee (controller) and the Company's auditor shall, upon their request, be provided with the minutes of the meetings of the collegial executive body.

3. The administration of a Company shall comprise the Company director (general director), his or her deputy (deputies), the chief accountant, as well as other officials of the Company.

The composition of a Company's directorate shall be established by the Company director (general director).

4. The meetings of the collegial executive body shall be organised and conducted by the Company director (general director) who shall sign the decisions and the minutes of the meetings of the collegial executive body. The Company director (general director) shall be liable for the accuracy of the information contained in the minutes.

Article 90. Liability of board members, director (general director), members of the administration and directorate, management organisation and manager

1. When performing their duties, the board members, the Company director (general director), the members of the administration and directorate as well as the management organisation and the manager shall act in the interest of the Company; they shall exercise their rights and perform their duties towards the Company in good faith and in a reasonable manner, avoid real and possible conflicts between personal interests and the interests of the Company.

A person who may, by virtue of participation in the authorised capital of a Company or of other circumstances, have a material impact on the decisions of the Company must not induce board members, the Company director (general director), members of the administration or directorate or the management organisation or the manager to take decisions that contradict the interests of the Company or the legitimate interest of shareholders who cannot have a material impact on the decisions of the board.

2. Board members, a Company director (general director), the members of the administration and directorate as well as the management organisation, the manager and other persons prescribed by Law shall, in the manner prescribed by the Code, this Law, the Law of the Republic of Armenia "On securities market" and other laws, be liable to the Company for the damage caused to the Company due to their actions (omissions).

The members of the board or administration or directorate who voted against the decision causing damage to the Company or were not present at the relevant meeting shall be exempt from the liability for the damage caused to the Company.

The resignation, recall or dismissal of the board or Company director (general director), members of the administration or directorate shall not exempt them from liability for the damage caused to the Company.

When determining the grounds for and extent of the liability of the board or the Company director (general director), members of the administration or directorate, as well as the management organisation or the manager, the customary business practices and other factors of importance to the case must be taken into account.

3. Where, under the provisions of this Article, several persons are liable for the damage caused to the Company, they shall be jointly held liable to the Company.

4. Persons shall be exempt from the liability for the damage caused to the Company prescribed by this Article if they have acted in good faith, i.e., they did not know or

could not have known that the Company would incur losses as a result of their actions (omissions).

5. A Company or a Company's shareholder(s) (jointly) owning one or more percent of the placed common (ordinary) stocks of the Company shall have the right to bring an action against board members, the director (general director), members of the administration and directorate as well as the management organisation and manager to court with a claim for compensation for damages caused to the Company.

(Article 90 amended by HO-202-N of 11 October 2007, supplemented by HO-210-N of 25 May 2011)

CHAPTER XII

SUPERVISION OVER FINANCIAL AND ECONOMIC ACTIVITY OF A COMPANY

Article 91. Control committee (controller) of a Company

1. In order to ensure supervision over a Company's financial and economic activity, the meeting shall elect a control committee (controller) for the Company.

The powers of the control committee (controller) and the procedure for conducting inspections shall be prescribed by this Law and the charter.

The control committee (controller) shall monitor the execution of the decisions of the Company's governance bodies, check the compliance of the Company documents with the laws and other legal acts as well as the charter.

The control committee (controller) shall, when performing its functions, be guided by the charter as well as by the relevant internal document approved by the meeting, i.e., the rules of procedure of the control committee (controller).

2. The control committee (controller) shall conduct the inspection of the annual results of the Company's financial and economic activity, be entitled to inspect — at any time and on its own initiative, upon the decision of the board, as well as upon the request of shareholder(s) owning at least 10 percent of the Company voting stocks — the Company's financial and economic activity.

The control committee (controller) shall have the right to request to convene an extraordinary meeting pursuant to Article 74 of this Law.

Upon the request of the control committee (controller), it shall be provided with all the necessary documents, materials and explanations concerning the Company's financial and economic activity, as well as that of its branches, representative offices and institutions.

3. Members of the control committee (controller) shall be elected by the meeting for a period of three years.

The control committee (controller) shall report to the meeting.

The amount and conditions of remuneration and/or compensation for expenses of the members of the control committee (controller) shall be defined by the decision of the meeting.

Any natural person who is not a member of the Company's governance bodies may be a member of the control committee (controller).

The number of members of a Company's control committee shall be prescribed by the charter or the decision of the meeting and may not be less than three.

The powers of a Company's control committee may, by the charter or the decision of the meeting, be assigned to a controller.

In Companies with 50 or more shareholders (owners of voting stocks), the stocks belonging to board members as well as the director (general director) or members of the administration or directorate shall not be taken into account when voting on the issues concerning the election of members of the control committee (controller) and on early termination of their powers.

4. The chairperson of the control committee shall be elected from amongst the members of the committee by a simple majority vote of the members of the committee.

Article 92. Company's auditor

1. For the purpose of inspecting its financial and economic activity, a Company may engage, by concluding an appropriate agreement, an auditor (organisation or natural person) — who shall not have any common property interests with the Company or its shareholders — to audit the Company.

Prior to publishing the documents (information) prescribed by Article 96 of this Law, an open Company shall be obliged to engage an auditor who has no common property interests with the Company or its shareholders to revise the reliability of the annual report, annual accounting balance sheet, profit and loss statement.

An auditor may also inspect a Company's financial and economic activity upon the request of shareholder(s) owning at least five percent of the Company voting stocks. In such case, the shareholders requesting inspection shall pay for the services of the auditor.

2. The Company's auditor shall be approved by the meeting. The contact with the Company's auditor shall be concluded by the board chairperson. The board shall decide on the amount payable to the auditor.

3. In the case prescribed by the third part of point 1 of this Article, the Company's auditor shall be chosen and the agreement with the latter shall be concluded by the shareholders requesting the inspection.

4. The requirements for the Company's auditor shall be prescribed by law and other legal acts.

Article 93. Opinion of the Company's control committee (controller) or the Company's auditor

1. The control committee (controller) or the Company's auditor shall prepare opinions on the basis of the results of the inspection of the Company's financial and economic activity, which shall contain the following:

- (a) analysis of Company's financial and economic activity;
- (b) analysis of the formation of the Company funds and the designated use thereof;
- (c) confirmation of the reliability of the information contained in Company reports and other financial documents;
- (d) confirmation of the compliance of the decisions of the Company's governance bodies, accounting procedures, financial and other reports with the laws and other legal acts in force;
- (e) other information related to the specific aspects of the inspection.

1.1 An auditor or the control committee (controller) of a "large Company" — as defined by the Law of the Republic of Armenia "On accounting" — shall, following the adoption of a decision on conclusion of a major interested-party transaction and prior to concluding the relevant agreement, provide an opinion on compliance of the transaction with this Law as well as with the market value.

2. The control committee (controller) shall submit the opinion on inspection of the Company's annual activity reports and annual balance sheet to the annual meeting. The opinion of the control committee (controller) shall be mandatory when approving the Company's annual balance sheet.

(Article 93 supplemented by HO-108-N of 17 June 2016)

CHAPTER XIII

ACCOUNTING AND REPORTING. COMPANY-RELATED INFORMATION

Article 94. Accounting and financial statement

1. A Company shall maintain accounting records and submit a financial statement and statistical report in the manner prescribed by laws and other legal acts.

A Company director (general director) shall — in compliance with laws, other legal acts and the charter — be liable for organising the Company's accounting, for the state and reliability of the Company's accounting, for timely submission of the annual report, financial statements and statistical reports to the state administration bodies prescribed by laws and other legal acts, as well as for the reliability of the Company-related information provided to the Company's shareholders, creditors, as well as to the press and other mass media outlets.

2. The reliability of the annual report, annual accounting balance sheet, profit and loss statement to be submitted to the annual meeting for approval shall be confirmed by the opinion of the Company's control committee (controller). Prior to publishing the aforementioned documents pursuant to Article 96 of this Law, they shall be inspected and their reliability shall be confirmed by an auditor who has no common property interests with the Company or its shareholders.

3. A Company's annual report shall be preliminarily approved by the board at least 30 days prior to the date of the annual meeting.

Article 95. Preservation of Company documents and their provision to shareholders

1. During a period defined by laws and other legal acts, a Company shall be obliged to preserve:

(a) the Company's State Registration Certificate, charter, the supplements and amendments to the charter, the restated charter, the decision and the agreement on the foundation of the Company;

(b) the documents certifying the Company's property rights with regard to the property reflected in the Company's balance sheet;

(c) the Company's internal documents approved by the meeting and other governance bodies;

(d) the charters of the separated subdivisions and institutions of the Company;

(e) the Company's annual reports;

(f) the prospectuses on the issuance of Company stocks;

(g) the accounting documents (accounting balance sheets, profit and loss statements, audit opinions, etc.);

(h) the financial statements and statistical reports submitted to state administration bodies;

(i) the minutes of the general meetings, as well as those of the meetings of the board, control committee (controller) and collegial executive body;

(j) the minutes of the ballot committee and the ballot papers;

- (k) the opinions of the Company's control committee (controller), the Company's auditor, state and local self-government bodies exercising financial control;
- (l) the lists of persons related to the Company (specifying the number of stocks belonging to them) as well as of significant and major shareholders of the Company;
- (m) the agreements concluded by the Company;
- (n) other documents provided by this Law, the Law of the Republic of Armenia "On securities market", other laws and legal acts, the charter, internal documents, decisions of the meeting, the board and other governance bodies of the Company;

2. A Company shall preserve the documents referred to in point 1 of this Article at its principal place of business.

3. A Company shall be obliged to provide its shareholders with reading access to the documents provided by point 1 of this Article, except for confidential information, as well as the minutes of the meetings of the collegial executive body and the orders and directives of the single-person executive body. Only to the board members and the control committee (controller) may, upon their request, be provided with the minutes of the meetings of the collegial executive body and the orders and directives of the single-person executive body as well as other confidential information.

4. Upon the request of a shareholder, a Company shall be obliged to provide that shareholder with copies of the documents referred to in point 1 of this Article within five days, except for documents referred to in point 3 of this Article. The amount of the fee to be decided by the Company for the provision of such copies may not be more than the preparation and postage costs. Each shareholder of a Company shall have the right to receive copies of the latest annual report and of the opinion of the control committee free of charge.

(Article 95 amended by HO-202-N of 11 October 2007)

Article 96. Mandatory publication of information

1. An open Company shall be obliged to publish the following on the official website of Public Notifications of the Republic of Armenia at <http://www.azdarar.am>:

(a) the Company's annual report, accounting balance sheet, profit and loss statement;

(b) in the case of public offering of stocks, the prospectuses on the issuance of Company stocks;

(c) the announcement on convening an annual meeting in the manner prescribed by this Law;

(d) other information prescribed by this Law, Law of the Republic of Armenia "On securities market", other laws and legal acts.

1.1. A Company shall be obliged to publish — following the adoption of a decision on conclusion of a major interested-party transaction and prior to concluding the relevant agreement — information on the transaction parties and conditions, on the nature and scope of the interest, as well as the opinion prescribed by part 1.1 of Article 93 of this Law on the official website of Public Notifications of the Republic of Armenia at www.azdarar.am.

2. In the case of public offering of its issued bonds and other securities, Companies, including close Companies, shall be obliged to publish information to the extent and in the manner prescribed by the Law of the Republic of Armenia "On securities market" as well as by the Central Bank of the Republic of Armenia.

(Article 96 amended by HO-202-N of 11 October 2007, HO-137-N of 19 March 2012, supplemented by HO-108-N of 17 June 2016)

CHAPTER 13.1

(Chapter supplemented by HO-24-N of 21 December 2015)

EXERCISE OF THE RIGHTS OF SHAREHOLDERS THROUGH NOMINEES

Article 96.1. Power of a nominee to act on behalf of a shareholder

1. A nominee shall — by virtue of this Law and on the basis of the agreement referred to in part 2 of this Article, without the need for a separate letter of authorisation — be authorised to exercise all the rights and obligations attached to the stocks registered in the name of that nominee, unless otherwise stipulated in the agreement, referred to in part 2 of this Article, concluded between the nominee and the shareholder.

2. The powers of a nominee referred to in part 1 of this Article shall arise from an agreement on stock custody or another similar agreement concluded between the nominee and the shareholder, which shall contain a provision on delegating the powers referred to in part 1 of this Article to the nominee. Moreover, where a given person is specified — in the document, referred to in part 3 of this Article, issued by the registrar — as the nominee holding some or all of the Company stocks, it shall be presumed that the nominee is, under the agreement referred to in this part of this Article, authorised to exercise the powers referred to in part 1 of this Article on behalf of the shareholder(s) represented thereby. An issuer may not request a nominee to disclose the agreement concluded between the nominee and the nominee's client.

3. The relevant document (statement of information, list of owners of (nominees holding) voting stocks, etc.) issued by the registrar, which certifies that a given person is a nominee of some or all of the Company stocks, shall serve as a proof before

the Company that the person in question is vested with the powers of nominee referred to in part 1 of this Article.

Article 96.2. Duty of a nominee to act in good faith

1. When carrying out actions, referred to in part 1 of Article 96.1 of this Law, on behalf of a shareholder, a nominee shall be obliged to act in a reasonable manner and in good faith, upholding the interests of the shareholder, following the instructions given by the shareholder to the nominee and the requirements of the legal acts of the Republic of Armenia.

2. A nominee shall be liable to the shareholder for any damage caused to the shareholder due to the actions or omissions of the nominee.

Article 96.3. Exchange of information between a Company and its shareholders via nominees

1. Where the register of shareholders (nominees) specifies a nominee, the Company shall provide all the information, namely, notices, notifications, ballot papers, reports, that a Company is obliged to provide to shareholders in accordance with this Law to the nominee representing the shareholder in question.

2. Upon transferring the information referred to in part 1 of this Article to the nominee referred to in part 1 of this Article, the Company shall be deemed to have performed its obligation to transfer the information in question to the shareholder.

3. A shareholder shall have the right to provide all the information that a shareholder is obliged to provide to a Company in accordance with this Law via the nominee representing the shareholder.

4. Upon transferring the information referred to in part 3 of this Article to the Company by the nominee referred to in part 3 of this Article, the shareholder shall be deemed to have performed the obligation to transfer the information in question to the Company.

Article 96.4. Payment of incomes from Company securities via nominees

1. In the case when shareholder(s) of a Company are represented by a foreign nominee, in order to transfer the amounts that the Company must pay to the shareholder(s) in question, the Company shall send them to the bank account specified by the nominee representing said shareholder(s), while simultaneously performing its duties of a tax agent.

2. A foreign nominee shall be obliged to transfer the amounts referred to in part 1 of this Article received from the Company to the shareholder in the manner prescribed by the agreement concluded between the foreign nominee and the shareholder.

(Chapter supplemented by HO-24-N of 21 December 2015)

CHAPTER XIV

FINAL PROVISIONS

Article 97. Entry of this Law into force

1. This Law shall enter into force one month after its publication.

2. Upon the date of entry into force of this Law, the Law of the Republic of Armenia of 30 April 1996 "On joint stock companies", along with its further amendments and supplements, shall be deemed to be repealed.

3. *(part repealed by No-137-N of 19 March 2012)*

4. Until being brought into compliance with this Law, other legal acts containing provisions on joint stock companies adopted before this Law enters into force shall continue to be effective to the extent they do not contradict the requirements of this Law.

5. Joint stock companies established before this Law enters into force need not be re-registered. Their charters shall continue to be effective to the extent they do not contradict this Law.

(Article 97 amended by HO-137-N of 19 March 2012)

**President
of the Republic of Armenia**

R. Kocharyan

Yerevan

27 October 2001

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