

**THE LAW OF THE REPUBLIC OF KAZAKSTAN**  
**ON JOINT-STOCK COMPANIES**

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## **CHAPTER I. GENERAL PROVISIONS**

### ***Article 1. Sphere of application of this Law***

1. This Law defines in accordance with the Civil Code the legal status of a joint-stock company (hereinafter - company), the rights and obligations of its participants, the order of formation, reorganization, and liquidation of a company, and also the conditions and order of protection of the rights and interests of the shareholders and third parties.

2. The peculiarities of the formation, reorganization and liquidation of companies in the spheres of banking, insurance, and also activity in the market of security papers are determined by legislative acts.

3. The peculiarities of companies, created with foreign participation, may be determined by legislative acts on foreign investments.

### ***Article 2. General terms and definitions***

The terms and definitions, used in this Law, mean:

1. Affiliated person - any physical or legal entity, capable by means of legally relevant actions to influence the activity of a company, possessing the right to issue instructions subject to mandatory execution by a company or define its actions by any other means. Affiliated person of a company is also the legal or physical person, which has the right to dispose of twenty or more percent of the voting shares of a company in result of their purchase.

2. Fractional share - fractional part of a whole share.

3. The convertible securities - securities, which is subject to an exchange on other kind of security papers during established term on a determined price.

4. Cumulative voting - a way of voting, at which the shareholder has number of votes on each share, equal to total number of the members, being elected to the board of directors of a company.

5. Par value of the share - term of money of cost of the share, determined at its(her) issue.

6. Bond - securities, certifying granting of extra means company, giving to its(her) owner the right on regular reception of the established interest rate from cost of the bond from the moment of issue of the bond and before its(her) repayment.

7. The bond with the coupons - bond, at presentation of the coupons of which a company coupons to the holder established percents(interests).

8. Bond with discount - bond, placed on the price lower(\$below) of par value.

9. Authorized shares - share, total par value of which makes announced authorized capital of a company.

10. Option - the right caused by the contract to require(demand) purchasing or sale of a determined kind and quantity(amount) of the shares under the coordinated price and during established term.

11. Repayment of the bonds - repayment of the bonds by a company in period and under the price, established by conditions of issue of the bonds in the reference(manipulation).

12. Issued shares - share, total par value of which makes the placed authorized capital of a company;

13. The independent director - member of board of directors of a company, not being in the executive body of the company or a member of the collective executive body of the company or the husband (of the husband), parents, children, brothers, sister of which are not by the persons, occupying posts in the bodies of management, or a shareholder, owning ten or more percent of the voting shares of a company, and in case of a public company - five or more percent of the voting shares of a company.

### ***Article 3. Concept of a company***

1. Joint-stock company admits, the authorized capital of which is divided into a determined number of the shares of equal par value; the participants of a company (shareholders) do not answer under its obligations and bear a risk of the losses, connected to activity of a company, in the limit of the cost of the shares belonging to them.

2. The company bears responsibility under the obligations by all the property belonging to it. A company does not answer for obligations of the shareholders.

3. In cases, established by the acts, in the organizational-legal form of a joint-stock company there are the noncommercial organizations, the incomes of which are spent entirely for the authorized purposes of the company.

### ***Article 4. Firm name of a company***

1. The company has the firm name, which should contain the name of the company, instruction on its type, and also word " joint-stock company " or abbreviation "AO". Under such firm name the company is subject to state registration.

2. In the firm name of a company, created with foreign participation, an indication on the country of its founders may be included.

### ***Article 5. Location of a company***

1. The location of a company is determined by a location of it of a constantly working body.

2. The location of a company is underlined in its constituent documents with indication of its complete post address.

### ***Article 6. Branches and representations of a company***

1. The company may create branches and to open representations according to the Civil Code and this Law.

2. Branch of a company is its separate division, located outside the location of the company and carrying out all or all of or parts, including the function of representation.

3. Representation of a company is its separate division, located outside of the place of its presence and carrying out protection and representation of interests company, making from its name the transactions and an other legal actions.

4. Branch and representation are not the legal entities and work on the basis of a rule authorized by a company. Branch and representation are allocated by a creating their company

by property, which is taken into account as on their separate balances, and on balance of a company.

The chief of branch and chief of representation are nominated by the authorized body of the company and work on the basis of its power of attorney.

5. Branch and representation carry out activity on behalf of a creating their company. The responsibility for activity of branch and representation bears a creating their company.

6. The charter of a company should contain the items of information on its branches and representations. The messages on changes in the charter of a company, connected to change of the items of information on its branches and representations, are represented to a body of state registration of the legal entities by written notification.

#### ***Article 7. Closed company***

1. A company, the shares of which are distributed among its founders or other persons, in the order, determined by the present article, is a closed company. The closed company may place the shares let out by it by an only in a closed way.

2. The minimum size of the placed authorized capital of a closed company constitutes 100 monthly calculation units. The number of shareholders of a closed company should not exceed hundred.

3. A closed company and its shareholders have the right of priority of purchase of shares, sold by other shareholders of this company.

4. The shareholder of a closed company, desiring to sell the shares, is obliged to offer to redeem to their other participants of the company, and in case of their refusal - the company. Unless otherwise stipulated by the charter of the company the shareholder may not realize the shares to third persons under the price below than price of the offer to the company and its participants. In default is the company and its participants from purchase of the shares or non receipt of an answer in thirty days from the date of an inquiry.

5. The activity of a closed company is not subject to regulation by the state, established according to the legislation on securities papers.

#### ***Article 8. Open company***

1. A company, the participants of which can alienate the shares belonging to them without the consent of the other shareholders, is an open company. An open company may place the shares let out by it in a closed, private, and open way on the conditions established by legislation.

2. The minimum size of the placed authorized capital of an open company makes 1000 monthly calculation units. The number of the shareholders of an open company is not limited.

#### ***Article 9. Public company***

1. An open company, the shares whereof circulate at the organized securities market among an unlimited range of persons, the assets value whereof is no less than 200 000 fixed coefficients and the number of shareholders whereof is no less than five hundred, shall have the status of a public company. Open company, having the attributes of a public company, is

obliged during 30 days upon termination of calendar year, in which it has got the status of a public company, to notify the authorized body of it.

2. The open company, not having the specified attributes of a public company, may get the status of a public company in the order determined by the legislation on securities papers.

3. If the number of the shareholders of a company, receiving the status of public according to item 1 of this article, will become less than two hundred, the company may declare loss of the status of a public company with the notice to authorized body within 3 months from the moment of change of quantitative structure of the shareholders. The authorized body, in the order, established by the legislation on the market of valuable papers, shall considers the question on loss of the status of a public company.

#### ***Article 10. Change of type of a company***

1. A closed (open) company can be transformed in open (closed) under the decision of the general meeting of the shareholders with observance of the requirements of this Law.

2. If the number of the shareholders of a closed company will exceed one hundred, the specified company during 3 months is obliged to lead(carry out) general meeting of the shareholders about acceptance of the decision about change as a company on open.

3. The open company may on the decision of general meeting of the shareholders to be transformed in closed, if the quantity(amount) of the shareholders of a company will become less than hundred.

#### ***Article 11. Rights and obligations of shareholders of a company***

1. The shareholder of a company, depending on the type and category of share belonging to him, has the right:

- 1) To participate in the management of a company;
- 2) To receive a part of the net income as the dividends from the activity of the company;
- 3) On a part of property, remaining in case of its liquidation;
- 4) To receive the information on activity of a company, including to get acquainted with the documents of book keeping and reporting of a company;
- 5) To receive extracts from the registrar or par holder, certifying the right of the property on the securities;
- 6) To receive copies of the list of the shareholders from the registrar (for a public company);
- 7) To challenge in the judicial order decisions accepted by management bodies of a company;
- 8) To address in the appropriate state bodies for protection of the rights and lawful interests in case of fulfillment by bodies of management of a company of actions, breaking norms of the legislation;
- 9) To address in a company with letters of enquiry on its activity and to receive the **motivated** answers.

The shareholders can have and other rights, stipulated by this Law, legislation and charter of a company.

The company is obliged during 30 days to give the written answer to an inquiry of the shareholder about activity of a company.

2. The shareholder of a company is obliged:
  - 1) To pay the shares in the order, size and ways, stipulated by the constituent documents and this Law;
  - 2) To inform a company on intention of the conclusion of the large transaction on sale of the shares belonging to it(him);
  - 3) To inform a company during 20 days or organization, carrying out running of his(its) register, on change of a place of location for the legal entities, home address and nameplate data for the physical persons.
3. Other duties cannot be assigned to the shareholders.

## **CHAPTER II. FORMATION OF A COMPANY**

### ***Article 12. Formation of a company***

1. The founders of a company can be physical and (or) legal entities, accepting the decision on its formation. The state bodies cannot act by the founders of a company, if other is not established by the acts.
2. The company is formed on the basis of the constituent agreement, which consists between the founders of a company.
3. The founder of a company may be one person. The constituent document of a company, created by one person, is the charter.

### ***Article 13. Constituent agreement of a company***

1. Constituent agreement should contain:
  - 1) The decision on formation of the company, indication on a type (open or closed) company, its firm name and place of location;
  - 2) The list of the founders of a company with indication of their name, location, bank requisites (if the founder is a legal entity) or the name, residence and data of the documents certifying the person (if the founder the physical person) is;
  - 3) Order of establishment of the company; duties of the founders and distribution of the expenses, connected with its establishment, and also other conditions of realization by the founders of activity on formation of a company; determination of the powers of the specified persons, and also other persons, who are authorized to represent interests of the established company during its formation and registration;
  - 4) Establishment of the size of the announced authorized capital of a company;
  - 5) Item of information on the size, terms and order of entering of the contribution of each founder in payment of the shares;
  - 6) Definition(determination) of quantity(amount) of the shares of the founder;
  - 7) Item of information on kinds of the issued shares and order of their primary emission;
  - 8) Statement of the charter of a company;
  - 9) Order of distribution of the net income and losses of a company.



In the constituent agreement under the decision of the founders can be included other conditions, concerning to formation of a company and its future activity, not contradicting this Law and other legislative acts.

2. In the constituent agreement of a company can be stipulated the subject and purposes of its activity.

3. The constituent agreement of a company becomes a part of the documents representing a trade secret of the company, unless otherwise is provide by the constituent agreement, and is subject to presentation to state and other official bodies, and also third persons only under the decision of management bodies of the company or in cases, established by legislative acts.

4. The presentation of the constituent agreement to the registering body at state registration is not required.

#### ***Article 14. Order of conclusion of the constituent agreement and its form***

1. The constituent agreement of a company consists by signing the contract by each founder (representative) at the constituent assembly.

2. The constituent agreement of a company consists in writing. The constituent agreement is subject to notarial certification.

The representatives of the founders should have the appropriate powers, giving the right on establishment of the company and to sign the constituent agreement.

Legal entities included into the group of founders may be represented by their leaders who are authorized to act on behalf of the corresponding legal entity without a power of attorney.

3. The founders, signing the constituent agreement, after state registration of a company become the shareholders of a company.

#### ***Article 15. Charter of a company***

1. The charter of a company is the document, determining the legal status of a company as of a legal entity.

At state registration of a company its charter is considered as the constituent document.

2. The charter of a company should contain the following provisions:

- 1) Type of company;
- 2) Firm name (complete and other official names);
- 3) Place of location and postal address of the company;
- 4) Information on the size of the announced authorized capital of a company;
- 5) Information on number of shares announced by a company of each type and category, their par value;
- 6) Rights, given to the shareholders by each category of authorized shares;
- 7) Procedure of determination of cost of the shares at their repayment by a company;
- 8) Procedure for forming and competence of bodies of the company;
- 9) Procedure for taking decisions by management bodies of the company including the list of questions decisions on which shall be taken by a qualified majority;
- 10) Procedure for preparation and conducting of a general meeting, as well as the form of communicating a message to shareholders on a general meeting;
- 11) Procedure for formation of funds of the company;
- 12) Order of distribution of the net income and losses;

13) Condition of reorganization and termination(discontinuance) of activity of a company.

The charter may restrict the number of the shares, belonging to one shareholder and their total par value, and also the maximum number of votes given to one shareholder. In the charter of a company the purposes and the kinds of its activity may be stipulated.

3. The charter shall be adopted by the constituent assembly of the founders.

4. The charter of a company shall be notarized.

5. All interested persons may examine the charter of a company.

On request of shareholder the company is obliged to give him an opportunity to familiarize with the charter of a company, including subsequent changes to it. The company can give the shareholder a copy of the charter for a payment, which should not exceed the charges of production of a copy.

6. The company may carry out the activity on the basis of a standard charter of a company, approved by the authorized body.

#### ***Article 16. State registration of a company***

1. The company is considered created from the moment of its state registration.

2. The state registration of a company comes true by bodies of the justice in the order, determined by the legislation on registration of legal entities.

3. Data on state registration, including information on the firm name, size of the announced authorized capital, place of location and address of a company, join in the uniform state register of legal entities, open for public access, and do not constitute a trade secret of the company.

4. For state registration of a company by the founders should be submitted:

1) application on state registration of the company, signed by the person, authorized by the founders to form the company;

2) the charter of the company;

3) document confirming payment for state registration of the legal entity.

5. The application on state registration of the company shall contain the postal address through which communication with the company shall be performed.

6. If founders of the company take the decision to perform their activity on the basis of the Standard Charter of a Company, the charter shall not be needed for the purpose of state registration of the company. However, the application on registration on the basis of the Standard Charter must contain:

1) the name of the company and its location;

2) the size of the declared authorized capital of the company;

3) information on categories of shares of the company, their par value, number and rights of their owners;

4) note on the fact that the company shall perform its activity on the basis of the Standard Charter.

An application must be signed by all founders, authenticity of their signatures must be certified by a notary.

7. The state registration of a company with foreign participation shall be conducted also in consideration of the requirements of the legislative acts about foreign investments.

8. The body, carrying out state registration of a company, may not require from the founders of a company the delivery of other documents or to show to their contents and form other requirements, except as provided by this Law and other acts.

9. For state registration of a company a payment at a rate of four monthly calculation units is charged.

#### ***Article 17. Denial in state registration of a company***

1. The refusal in state registration of a company is allowed:

- 1) At discrepancy of the contents of the charter of a company to the requirements of this Law;
- 2) At the Failure in legal requirements by the founders any of the documents, specified in this Law;

2. Refusal in state registration of a company on the basis of the inexpediency of its formation is not allowed.

3. The body of state registration directs the notice in writing of the refusal of state registration with an indication of the basis of a refusal in a three day period from the date of taking such decision to the postal address specified in the application.

4. Refusal in state registration of a company, and also evasion from such registration can be appealed to court.

#### ***Article 18. Liability for obligations connected to formation of a company***

1. The founders of a company bear the joint and several responsibility under the obligations, connected to formation of a companies and arising up to its state registration.

2. The company bears responsibility under the obligations of the founders, connected to (its formation, only in case of acceptance by it of these obligations under the decision of the general meeting of a company, if the charter of a company does not stipulate another order of acceptance of the decision.

### **CHAPTER III. CAPITAL, DISTRIBUTION OF THE NET INCOME AND THE PAYMENTS OF COMPANY**

#### ***Article 19. Authorized capital***

1. The authorized capital of a company consists of total par value of all shares which the company has the right to issue for placement. The company can place all or only part of the shares authorized for issuing. At that, the total par value of the placed shares may not be lower the minimum sizes, established for the placed authorized capital of the respective company type according to this Law.

2. The number of placed shares of each type, terms and conditions of their placement within the limits of number of the authorized shares is established by the decision of the company's Board of Directors, unless otherwise is stipulated by the company's charter.

3. The increase of the authorized capital of a company is allowed only after completion of the previous emission.

***Article 20. Placed authorized capital of a company***

1. The placed authorized capital of a company is a part of the company's equity and consists of the total par value of the shares fully paid off by the shareholders.

2. When establishing a company the minimal amount of the placed authorized capital for the respective type of the company must be contributed by the founders in cash.

3. The placed authorized capital of a company can be changed by issuance and placement of new shares, or cancellation of the earlier issued ones, change of total par value of the previously issued shares, and also by adding the undistributed part of the company's net income to the placed authorized capital.

4. The order of formation, changing of the placed authorized capital is regulated by this law, company's charter and founder's agreement.

5. Incomplete placement of shares as compared to the declared number of shares' emission at an open and public placements does not result in the decrease of the authorized capital.

***Article 21. Increase of the placed authorized capital of a company***

A company has a right, by the decision of the Board of Directors, to increase the placed authorized capital at the expense of attraction of the company's equity capital by increasing the par value of the earlier issued shares or by emission of additional shares, including shares with changed par value, with preservation of percentage ratio of shareholders' share in the placed authorized capital.

***Article 22. Reduction of the placed authorized capital of a company***

1. The company has a right, by the decision of the Board of Directors, to reduce placed authorized capital of a company by reduction of par value of the shares or cancellation of the shares redeemed by a company. Thus reduction of the placed authorized capital below than sizes, established by this Law is not allowed.

The order of reduction of the placed authorized capital of a company should be determined by the charter of a company.

2. The decision about reduction of the placed authorized capital of a company shall be done in the same order, as the decision on its increase.

3. The change of a percentage ratio of a share of the shareholders in the placed authorized capital at its reduction is not allowed.

***Article 23. Shareholders equity of a company***

1. The shareholders equity of a company is defined in accordance with the legislation on accounting. Herewith the charter capital is defined as the placed authorized capital, in conformity with article 20 of this Law.

2. The shareholders equity of a company may be changed in result of revaluation of its assets and is allowed only by results of an auditing check.

***Article 24. Distribution of a company's net profits***

1. The order of using a company's net income (after deduction of expenses, tax returns and other mandatory payments) shall be determined by the Board of Directors within the sphere of its competence, unless otherwise provided by the company's charter.

By the decision of the Board of Directors the net income can be distributed (allocated) for payment of dividends for shares, left at the company's disposal as an undistributed part of its net income for the formation of the company's funds, or for other goals specified in its charter.

2. The Board of Directors has a right to restrict dividend payments and preserve the undistributed part of the company's net income for maintenance of the conditions, connected to reception by a company of credits or loans.

***Article 25. Reserve capital of a company***

The company may create the reserve capital in the size, stipulated by the charter of a company, but no less than 15 percents of its placed authorized capital.

The reserve capital of a company is formed by annual deductions of the net income of a company. The size of annual deductions is provided by the charter of a company.

The reserve capital of a company is intended:

- 1) For a covering of the losses of a company;
- 2) For repayment of the bonds of a company, payment of percents(interests) under the bonds and repayment of the shares of a company, in case of absence of other means;
- 3) For payment of the dividends under the privileged shares;
- 4) Other purposes under the decision of general meeting of shareholders.

***Article 26. Interest on a company's bonds***

Interests for the bonds issued by a company shall be set up as periodic payments made to the bond-holders until their maturity in accordance with the terms and conditions of their issuance.

***Article 27. Dividends of a company***

1. The dividend is a part of the net income of a company, distributed(allocated) among the shareholders proportionally to number of the shares, being in their property.

The payment of the dividends can be made by money resources, by way of exception - as the goods or other actives, if it is stipulated by the charter of a company.

The payment of the dividends to the shareholders of a public company comes true only by money resources.

The form of payment of the dividends and their size in account on one share is established by board of directors, if other is not stipulated by the charter of a company.

2. The company may quarterly or time a half-year, or on totals(results) of a year to announce about payment of the dividends.

3. The decision on payment of the annual dividends affirms by general meeting of a company. The decision on payment of the dividends quarterly or time a half-year is accepted by board of directors. The decision on payment of the dividends should contain:

1) Date of payment of the dividends, from the moment of the announcements of which there comes(steps) the responsibility of a company before the shareholders for payment of the dividends;

2) Final date of registration of the shareholders, have the right on reception of the dividends;

3) Actual terms of payment of the dividends;

4) Way of payment (cash money resources, check, payment by a commission, postal order and etc.), determined according to the charter of a company.

4. Change of the accepted decision about payment and size of the dividends is not allowed.

5. The dividends are not paid under the shares, which were not placed or were acquired by a company.

6. The size of the fixed dividends under the privileged shares is established at their issue.

#### ***Article 28. Restrictions on payments to be made to company shareholders***

1. Unless provided otherwise by the legislative acts, it is prohibited to pay dividends to the shareholders, to repurchase shares from them, issue bonds and pay under these obligations in the following cases:

1) if the net assets of a company are below the placed authorized capital minimum or will fall below it after such payments are made;

2) if such payments make a company's assets less than the sum total of all its obligations plus the sum needed for satisfaction of all claims of the shareholders enjoying preferential proprietary rights in the case of the company's liquidation;

3) if the company has an incontestable obligation to a creditor and failed to perform such obligation within the three months after the date of its expiration.

2. Transactions described in paragraph 1 of this article are considered as effected without sufficient ground and in prejudice of the creditors as provided by the bankruptcy legislation.

## **CHAPTER 4. SHARES AND OTHER SECURITIES**

#### ***Article 29. Shares: General Provisions***

1. A share shall be a security issued by a company that certifies, depending on its type and category, the following rights of its shareholder:

1) to receive a part of the net income of the company in the form of dividends,

2) to participate in managing the company,

3) to receive a part of the company property remaining after the company is liquidated.

2. A joint-stock company may issue only registered shares unless otherwise is provided by legislative acts.

3. A share shall be indivisible except as otherwise is provided by legislation. In the event several persons acquired a share they shall be recognized by the company as a one shareholder and exercise their rights through one of them or through their general representative.

4. In the events provided by legislation, a company may issue fractional shares.

#### ***Article 30. Types of shares***

1. A company may issue common and privileged shares. Privileged shares shall be issued in the amount not exceeding 50 per cent of the total number of placed shares.

2. The company charter or decision of a general meeting of shareholders may provide for issue of privileged shares of various categories. When taking decision of issue of privileged shares of various categories, the terms of their placement and order of their circulation at the secondary securities market.

#### ***Article 31. Common shares***

Shareholders owning common shares shall have equal rights in voting, receiving dividends and a part of the property in the event the company is liquidated in the order established by this Law and other legislative acts.

#### ***Article 31. Privileged shares of a company***

1. Shareholders owning privileged shares shall have the preemptive right to receive a stipulated amount of dividends and a part of the property in the event of liquidation of the company in the order established by this Law and other legislative acts. The company charter may provide additional privileges with respect to this shares.

2. The company shall be entitled to issue privileged shares with various measures of rights:

- 1) shares with a warranted amount of dividends, without vote;
- 2) voting shares with a warranted amount of dividends;
- 3) shares with other measure of rights.

3. In the event of insufficiency of the net income, dividends may be paid of the company reserve capital.

4. Dividends on privileged shares may be accumulated and paid after a fixed payment day unless the company charter provides otherwise. In the event dividends on privileged shares without vote are not paid within one year from the fixed payment day, a holder of a privileged share shall be entitled to vote until the overdue dividend is paid. In this case the privileged share shall be taken into account in determination of quorum required for taking decisions by a general meeting of the company.

5. Alienation of a privileged share a dividend thereon is not paid shall be implemented with granting the right to receive the dividend to a new holder of the share.

6. In the event the company is liquidated, the holders of privileged shares shall be entitled to the preferential reception of dividends set but not received. The remaining property shall be distributed among all shareholders including those holding privileged shares in proportion to the shares they hold.

7. Any change to the charter restricting rights of holders of privileged shares, including the right to conversion, shall be approved by shareholders owning voting shares and shareholders owning no less than two thirds of privileged shares without voting the rights whereof are restricted.

***Article 33. Authorized and placed shares***

1. The company charter must specify the number, types and categories of authorized shares, their par value and rights provided to shareholders by each category of company privileged shares.

2. Unless otherwise is provided by the company charter, the board of directors of the company shall take decision on placing shares within the number of authorized shares. The decision shall determine a number of shares to be placed of each type and category; terms and conditions of placing, including price of placing shares for shareholders having under this Law and/or the company charter the preemptive right to acquire placed shares.

3. An open company must submit to a state authorized body a report on the number of the shares placed. The order and frequency of submitting such reports shall be determined by the laws on securities.

***Article 34. Manners of placing company shares***

1. Shares shall be placed as follows:

1) in the close manner, among the company founders and other persons hereunder;  
2) in the private manner, among qualified investors;  
3) in the open manner, among an unlimited number of persons through free sale under the laws on securities.

2. The initial issue of company shares shall be placed in the close manner among the company founders, irrespectively of the type of the company.

3. An open and public company may place its shares privately in the event the shares are placed among a stipulated range of qualified investors following the procedure established by the laws on securities.

4. Shares of a subsequent issue shall not be placed until the shares of the previous one have fully been placed.

***Article 35. Peculiarities of registration of company securities transactions***

1. Placing shares and other transactions with securities of a closed company shall not be subject to registration with the authorized body or other state regulation established by the laws on securities.

When a closed company is transformed into open one, it shall, within three months from the moment of the transformation, submit a report on the placed securities to the authorized body under the laws on securities market.

2. Issue of shares by an open company for a qualified investor shall not be subject to registration with the authorized body. A qualified investor is a person that at the time of acquiring shares has his own capital the amount of which is no less than 100 000 minimal fixed coefficients. Employees or heads of a company acquiring its shares shall also be treated as qualified investors.



The authorized body may establish other criteria for defining a qualified investor. The legal status of a qualified investor shall be determined by the laws on securities.

3. Shares of an open company placed privately and acquired by a qualified investor may be sold to other qualified investors with no registration with the authorized body.

4. Any person to whom securities were transferred in violation of this article requirements shall be entitled to file a law suit invalidation of such a transaction and compensation of the losses incurred.

#### ***Article 36. State registration of securities issues***

Securities issues by public and open companies shall be subject to the state registration in the order established by this Law and other laws on securities.

#### ***Article 37. Forms of issuing securities***

1. A company may issue its securities in the documentary or non-documentary form subject to decision of a general meeting of shareholders.

2. A public company shall issue its securities in the non-documentary form.

#### ***Article 38. Securities in the documentary form***

1. A security issued in the documentary form shall specify the following:

- 1) the trade-name and reference to the site of the company,
- 2) its name («Share» or «Bond»), number and date of the issue,
- 3) its type and category,
- 4) its par value,
- 5) a yield on the bond and a maturity date,
- 6) name of its holder,
- 7) amount of the declared authorized capital,
- 8) number of authorized securities,
- 9) term of redemption of the bonds,
- 10) signature of the company head.

2. A privileged share shall as well contain information of privileges it grants, their priority and voting rights, if any.

#### ***Article 39. Certification of rights to a security***

1. A company independently maintaining its Shareholders Registry or the registrar shall, after demand of an owner or nominal holder of shares or pledgee, produce to them an extract of the Registry certifying their rights to company securities.

2. The rights to a non-documentary security shall be certified by the registrar or nominal holder by means of producing an extract of the Registry or from the nominal holder's account. The extract shall be given for the total number of the securities and shall specify the following:

- 1) trade-name of the company and reference to its site;
- 2) type of the securities and their numbers;
- 3) kinds and categories of the securities;

- 4) the securities' par values;
- 5) the amount of the issue, total amount of the authorized securities and the registration date of the issue;
- 6) the amount of acquired securities;
- 7) the holder's name;
- 8) the amount of votes granted by the shares;
- 9) the yield for the bonds and maturity date;
- 10) terms of redemption of the bonds;
- 11) the company seal and signature of its head;
- 12) name of the organization maintaining the Shareholders Registry.

***Article 40. Consideration for shares***

1. No share placed by a company may be sold for the price lower than their par or market value, depending upon which is higher. This provision shall not apply to :

- 1) shares sold by an intermediary;
- 2) shares placed under options;
- 3) convertible shares unless otherwise is provided hereby.

2. Consideration for company shares may consist of money, proprietary rights, including set-off between the company and its creditors, the right of land use and intellectual property right and other property.

No consideration for shares shall be admitted in the form of personal non-proprietary rights or other intangible assets.

3. A non-money consideration for shares shall be valued in terms of money by decision of the Board of Directors with consideration of the reasonable market value. In the decision the Board of Directors shall indicate the grounds for determination of the money value. If the value of a non-money compensation exceeds twenty thousand monthly fixed coefficient, it shall be affirmed by an independent expert. The company charter may limit kinds of property accepted as consideration for shares.

4. Where consideration is represented in right to use some property, the consideration amount shall be determined on the basis of this property rental fee for the whole period of using such property.

Early seizure of property the right to use which property is consideration for company shares shall not be permitted.

Unless otherwise is provided by the contract, the risk of accidental loss or damage of the property transferred to a company for use shall be taken by its owner.

5. Shares of the company placed among its founders shall be fully paid off within one year from the date of the company's state registration unless an earlier date is provided by the constituent agreement.

The founders that have delayed consideration for the shares for more than 30 days may be recognized by decision of a general meeting of shareholders as retired founders of which they shall be notified. The founder rights and duties related to the company shall therefore terminate and the consideration for shares shall be returned to the payors within 15 days after the general meeting took the decision.

In the event a founder is recognized as retired, the company may place its shares among other founders in proportion to their shares unless another procedure is agreed by them. The remaining shares may be offered for sale to a third party. The company may retain the shares it couldn't place at its own disposal for further placement in the order established by the Board of Directors.

6. The unpaid shares and shares remaining at the company's disposal shall have no voting right and do not accrue dividends. They shall not be taken into account in the counting votes or determining the quorum at a general meeting of shareholders.

#### ***Article 41. Share options***

1. A company may issue options for the purchase of its shares granting the company's employees and shareholders the preemptive right to purchase a certain amount of company's placed shares under the laws on securities.

2. Options in excess of one per cent of the placed shares of a public company shall be issued under decision of a general meeting of shareholders.

#### ***Article 42. Redemption of placed shares by a company***

1. A company shall redeem its placed shares at the market price for the purpose of replacing or canceling them, as well as for other purposes provided by the company charter.

2. Unless otherwise is provided by the company charter and/or decision of a general meeting of shareholders, a company shall redeem its placed shares under decision of the Board of Directors. The decision shall specify the amount of redeemed shares, kinds and categories thereof, price of redemption and payment terms.

3. An announcement on the redemption shall be published in an official publication approved by the company. It shall indicate the period of time within which the shares are to be redeemed and upon expiration of which the company may waive of the redemption.

4. A company shall not be entitled to redeem shares:

- 1) until the placed shares are fully paid;
- 2) if at the moment of redemption the company is insolvent (bankrupt) or may have become such as a result of redemption;
- 3) if at the moment of redemption the company net assets value is less than the amount of the placed authorized capital.

5. The value of the shares redeemed by the company may not exceed 25% of its placed authorized capital, and a company may not allocate for redemption of its shares more than 10% of its net assets value as of the date the decision on redemption is taken.

If the total amount of the shares declared for redemption exceeds the amount of shares

that the company can actually redeem in view of the above restriction, the shares shall be redeemed from shareholders in proportion to their demands.

6. A shareholder may demand that the company should redeem the shares he owns if the company is reorganized, or has closed a big transaction, or changes to the charter restrict his rights, or he voted negatively on such decision or did not take part in the general meeting of shareholders taken the decision.

7. The company shall redeem the shares for a price no lower than the average price of the company shares during the period of six months preceding the date the redemption is demanded.

8. The company's waiver of redemption or redemption price may be appealed in court.

The information of the shares redeemed by the company shall be entered into the Shareholders Registry.

#### ***Article 43. Particularities of transacting securities of public companies***

1. A person which independently or jointly with its affiliated person intends to acquire thirty or more per cent of voting shares of a public company shall notify thereof the company and the authorized body, as required by the laws on securities. The notice shall contain data on the amount of shares to be purchased, purpose and price of the purchase and other information if the authorized body so demands.

2. The company shall not obstruct its shareholders to sell their shares. It may make recommendations to the person wishing to sell company's shares under paragraph 1 of this article, including recommendation to sell the shares to the company or a third party for the price exceeding the one offered, and deliver the text of such a recommendation to the authorized body. An offer shall specify the amount of shares, price and requisites of the purchaser in the event the shares are purchased by a third party.

3. A person which independently or jointly with its affiliated person have acquired thirty or more per cent of voting shares of a public company shall, within thirty days from the date of acquisition, upon consent of the Board of Directors offer in writing to shareholders that they sell to this person the shares they own for a price no lower than the purchase price of company shares during the period of six months preceding the date of acquisition of thirty or more per cent of company shares. A shareholder shall be entitled to accept the offer within no more than thirty days from the moment he received the offer.

4. A person which independently or jointly with its affiliated person have acquired five or more per cent of voting shares of a public company during 12 months shall notify the authorized body and stock exchange on which such shares are listed of such acquisition, as provided by the laws on securities.

5. A person which independently or jointly with its affiliated person have at once acquired five or more per cent of voting shares of a public company shall notify the authorized body within 7 days of such acquisition in the order established by the laws on securities.

6. Any transaction with shares of a public company shall be closed at the Central Depository under the laws on securities.

***Article 44. Unlawful actions in closing securities transactions***

1. Involving an individual or legal entity into fraudulent actions against another individual or legal entity by rendering unreliable information or failing to render required information shall be unlawful. Any actions or practices purposefully taken by an individual or legal entity to mislead another individual or legal entity in sales of securities shall be unlawful unless such person suffered losses through such fraudulent actions knows or should have known about such actions. This provision shall not applied unless immaterial information is submitted.

2. The authorized body or person suffered losses through such fraudulent actions may apply to court for prosecuting the unlawful actions of the individual or legal entity. The person suffered losses through such fraudulent actions shall be entitled to be respectively compensated.

***Article 45. Splitting and consolidation of shares***

1. Upon decision of a general meeting of shareholders, a company may split or consolidate its shares. Splitting or consolidation of shares shall not be followed by change of the placed authorized capital.

2. Shares shall be split by increasing the total number of shares in the issue, with simultaneous proportional reducing of the par value of the company shares.

3. Consolidation of shares shall be effected by reducing the total number of shares with simultaneous proportional increasing of the par value of the company shares.

4. In the event of formation of a fraction of a share when splitting or consolidating shares, the company shall be entitled upon consent of the shareholder to redeem the fraction of the share at the price no lower the market one.

5. Splitting and consolidation of shares shall not be followed by the restriction of rights of shareholders related to voting, receiving dividends and parts of the company property in the event of liquidation of the company.

***Article 46. Company Security Holders Registry***

1. A company shall ensure maintenance and keeping of its security holders registry within one month from the moment of the state registration of the company. The procedure for maintenance and keeping of the security holders registry shall be determined by the laws on securities.

2. A closed company may independently maintain its registry of security holders. The Registry shall be maintained in the order provided by the Internal Regulations on the procedure for maintaining the company securities holders registry approved by a general meeting of shareholders.

3. An open company shall entrust the maintenance of the securities holders registry to a registrar having a license for such type of activity, on the basis of an agreement on rendering services on maintaining the security holders registry. Such agreement may provide for the registrar's responsibility for preparation and conduct of general meetings of shareholders.

No later than within 30 days prior to a general meeting of shareholders, the registrar shall render to the company the information on shareholders or their representatives or nominal holders required to notify shareholders of the general meeting.

4. In order to enter into the agreement on maintaining the security holders registry, the company shall submit to the registrar the following documents:

- the decision of a general meeting of shareholders on appointment of a registrar;
- the initial list of security holders;
- the company charter;
- a copy of the state registration certificate of the company and statistics registration card;
- a copy of the issue registration certificate;
- a copy of the Prospectus or Terms of the bonds issuance and redemption with a mark of the registering body.

The agreement on maintaining the security holders registry shall be approved by the Board of Directors of the company.

5. The security holders registry shall contain the data enabling:

- 1) to identify security holders and categories of securities;
- 2) to register transfer of securities ownership;
- 3) to issue extracts of the registry to security holders.

The registry of shareholders of the company shall contain information on every registered person (shareholder or nominal holder of shares), his address, amount and categories (types) of shares, registered to the name of each registered person, as well as other information required by legislation.

6. The company shall ensure the maintenance and keeping of registry of its security holders. The company and registrar shall bear joint and several responsibility for its proper maintenance and keeping.

7. The security holders registry shall be changed after demand of a shareholder or nominal holder of shares within three days from the moment the required documents are submitted.

No denial to make entries into the securities holders registry of the company shall be permitted unless otherwise is provided by legislative acts. In the event the registrar denies in making an entry, he shall, within five days from the moment of the demand to make the entry, send a grounded statement of denial to the person that demanded to make the entry.

The denial in making the entry may be appealed in court.

8. A persons registered in the securities holders registry shall timely inform the registrar of changes to his data. In the event the above person fails to render the required information, the company and/or registrar shall not be responsible for any losses resulted from the failure to render the specified information.

#### ***Article 47. Bonds of a company***

1. Upon decision of a general meeting of shareholders, a company (except for non-profit organizations) may issue bonds in order to attract funds for investment programs and promote the company's activity unless the company charter provides otherwise. Bond holders shall not be entitled to partake in the company management unless the company charter provides otherwise.

2. The procedure for bonds issue shall be governed by the laws on securities.

3. A decision on issue of bonds shall be taken by a general meeting of company shareholders, which shall approve the procedure for and terms of bonds issue.

4. A company may issue:

- 1) bonds secured by a certain company's property;
- 2) bonds guaranteed by a third party;
- 3) unsecured bonds for the amount not exceeding the amount of the company assets.

The company may issue coupon bonds and discounted bonds. Coupons shall be paid if presented along with the respective bonds.

5. Payment of interest on bonds and redemption of the same shall be effected under the terms of bonds issue which may provide for their prior redemption.

#### ***Article 48. Particularities of the company bonds issue registration***

1. Terms of bonds issue by an open company shall be subject to the state registration with the authorized body following the procedure established by the laws on securities.

2. A company may not issue bonds before the authorized body has approved the company's report on redemption of the previous bonds issue.

3. Records of transfer of rights to issued bonds shall be performed by their registration in a bond holders registry.

#### ***Article 49. Convertible Securities***

1. Conversion of securities is exchange of securities of one type into securities of another type for the purpose of reducing investor's risk and ensuring the company's responsibility.

2. Issue of convertible securities shall be stipulated by the company charter or decision of a general meeting of shareholders. Otherwise, a conversion of securities shall be illegal and any related transactions may be recognized as invalid judicially upon an interested party's filed law suit.

3. The procedure for the exchange of bonds into shares shall be determined by the terms of bonds issue and Prospectus.

The right to conversion shall be exercised within five years from the moment of the bonds issue unless otherwise is provided by the terms of the bonds issue.

Unless bonds are paid in whole, they may not be converted into shares and be paid interest on. Bonds paid by bills or other obligations shall not be considered as paid until the company receives the payment for such bills or obligations.

4. Privileged shares may be converted into common ones. The conversion price may not be lower than the par value of common shares as of the date the decision on the conversion is taken. The right to and terms of conversion shall be determined by the company charter.

5. The company may stipulate issue of revocable convertible securities in the event of the impossibility to pay interest on bonds, dividends on privileged shares or of reduction or lack of yield on common shares of the company.

In the event convertible securities are issued, the terms of bonds issue or Prospectus shall provide the proportion of exchange of securities of one kind into another.

## **CHAPTER V. GENERAL MEETING OF SHAREHOLDERS**

### ***Article 50. General meeting of shareholders of a company***

1. The supreme body of a company shall be a general meeting of its shareholders.

The company shall be obliged to conduct a general meeting of shareholders every year (annual meeting). An interval between any two consecutive annual meetings should not exceed 15 months. All general meetings, except annual, shall be extraordinary.

2. All shareholders who own common shares shall have the right to be present at a general meeting, to participate in discussion of questions of the agenda and to vote during decision-making according to this Law.

Shareholders who own privileged shares shall have the right to be present at a general meeting, to participate in discussion of questions of the agenda.

In the events and in the order stipulated in this Law shareholders who own privileged shares may participate in voting at a general meeting of shareholders.

Provisions of the charter of a company, other documents and decisions of bodies of the company that restrict the specified rights of shareholders shall be void.

3. Each shareholder during voting at a general meeting shall have the number of votes corresponding to the number of shares that belong him, except when a different order for determination of votes is stipulated by this Law or charter of the company.

4. Any person may be present at a general meeting unless otherwise provided by its charter.

5. Preparation and conducting of a general meeting shall be conducted by the executive body of a company or independent registrar who maintains the registry of holders of securities of the given company or other person according to this Law.

Preparation and conducting of a general meeting of a public company shall be conducted only by an independent registrar.

6. Decisions referred to the competence of a general meeting in a company with the only one participant shall be taken by the participant himself.

### ***Article 51. Competence of a general meeting of shareholders***

1. The exclusive competence of a general meeting of shareholders includes the following issues:

- 1) amending of the charter of the company;
- 2) change of the type of the company;
- 3) reorganization and liquidation of the company;
- 4) election of the board of directors of the company and prior termination of its powers;
- 5) change of the size of the declared authorized capital of the company;
- 6) election of members of the audit commission (auditor) of the company and prior termination of their powers;
- 7) approval of the auditor of the company;
- 8) formation of the returning board;
- 9) approval of annual results of activity of the company, conclusions of the audit commission and auditor of the company;



10) determination of the form of notification of shareholders by the company, including determination of a printing body in case of notification through publications;

11) splitting and consolidation of shares;

12) approval of annual dividends;

13) approval of large transactions according to this Law.

2. Decision on issues listed in subsections 1-3, 5, 11 of section 1 of the present article shall be taken by no less than two thirds of the total number of shareholders (representatives) with the voting right according to this Law. Decisions on other issues referred to the competence of the general meeting shall be taken by ??? of the total number of votes of the shareholders who are present at the meeting or their authorized representatives.

3. Consideration for officials of a public joint-stock company that exceeds one percent of the size of the equity capital of the company shall be paid only after it is approved by the general meeting of shareholders.

4. The charter may refer other issues related to activity of the company to the exclusive competence of the general meeting of shareholders.

Issues referred to the exclusive competence of the general meeting of shareholders cannot be transferred for decision of the board of directors or other body of the company.

#### ***Article 52. Extraordinary general meeting of shareholders***

1. An extraordinary general meeting of shareholders shall be convened by decision of the board of directors according to the demand of the executive body, audit commission (auditor) of the company or initiative of shareholders who in the aggregate own no less than 5 percent of voting shares of the company.

2. An extraordinary general meeting of shareholders of the company, which is under the process of liquidation, can be also convened by a liquidating commission (liquidator).

#### ***Article 53. Meeting under court decision***

1. In the event the executive body of the company refuses to convene an extraordinary general meeting of shareholders of the company or if the adjourned meeting is not convened within 30 days from the moment the executive body has received the requirement on its convening, the meeting shall be convened according to the court decision taken upon the action of persons listed in Article 52 of this Law.

2. A court may specify a certain time and place for conducting the meeting; its agenda; determine the shares with the right to participate at the meeting; appoint the record day for shareholders who have the right to notice and the right to vote at the meeting; prescribe the form and contents of the notice of the meeting; determine the quorum for decision of certain issues offered to be considered by the meeting according to this Law, and give other instructions necessary for achievement of the purpose or purposes of the meeting.

#### ***Article 54. Decisions of shareholders taken through voting by absentee ballot***

1. Decisions of the general meeting of shareholders of the company may be taken through voting by absentee ballot. Voting by absentee ballot may be used as equal to voting of

shareholders at the meeting when they are present at the general meeting (mixed voting) or without conducting the general meeting.

2. Voting by absentee ballot at the general meeting of shareholders shall be conducted through mailing (dissemination) of bulletins for absentee ballot to the persons specified in the registry of holders of securities.

The bulletin for voting must be sent to the addressee no later than 45 days before the date of conducting the general meeting or the date of poll without conducting of the general meeting.

3. The following requirements must be observed while conducting voting by absentee ballot:

1) for taking decisions on issues of the agenda the bulletins of the single form must be used;

2) the bulletin for voting must contain the name of the company; date of conducting the meeting if it is convened or date of poll if the meeting is not conducted; formulation of issues to be discussed; variants of voting on each issue brought for voting expressed by the words "For", "Against", "Has refrained";

3) for voting on election of members of bodies of the company the bulletin must contain information on candidates with their surname, name and patronymic.

Votes on those questions that offer only one possible variant of voting to the voter shall be taken into account during voting.

The bulletin without signature of the voter shall be considered void.

4. The order of conducting voting by absentee ballot according to the requirements of this Law must be reflected in the charter of the company.

5. The registrar of the company shall be responsible for preparation and conducting of absentee ballot and determination of its results. Bulletins received by the company by the moment of registration of participants of the meeting or the date of poll shall participate in the meeting when decisions are taken without conducting the general meeting.

6. Decisions taken in the form of absentee ballot shall be valid when the quorum is observed which is necessary for conducting of the general meeting of shareholders.

7. Results of voting by absentee ballot must be published no later than after 30 days in a printing body determined by the charter of the company.

#### ***Article 55. Information on conducting of the general meeting of shareholders***

1. The list of shareholders shall be made on the basis of the data from registries of holders of securities on the date of sending the notice. This date cannot be appointed for the date earlier than the date of taking decision on conducting the meeting and earlier than 20 days before the date of conducting the meeting.

2. Informing shareholders about conducting of the general meeting shall be exercised by sending them a written notice and/or publication of the notice in the official printing body approved by the company. The form of the message shall be determined by the charter of the company or decision of the general meeting of shareholders.

If the charter of the company does not stipulate a certain form of the message, the notice of conducting the general meeting of shareholders shall be given twice in official printing bodies: not later than 30 and 20 days before the date of conducting the general meeting.

In addition to that the company may inform shareholders through other mass media (TV, radio).

3. The period within which shareholders must be informed about conducting of the general meeting of shareholders shall be established according to section 1 of the present article.

The company with the number of shareholders more than five hundred shall be obliged to send a written notice and/or publish in printing bodies the information on conducting of the general meeting of shareholders not later than 45 days before the date of its conducting.

In the event the number of shareholders of the company is no more than five hundred, the written notification of shareholders shall be obligatory.

4. Information on the general meeting of shareholders must contain:

- a) the name and place of location of the company;
- b) date, time and place of conducting the meeting;
- c) date of making up the list of the shareholders who have the right to participate in the general meeting of shareholders;
- d) list of certain questions included into the agenda of the general meeting of shareholders;
- e) order of providing the information (materials) to shareholders, which is subject to be provided to shareholders while preparing for conducting the general meeting of shareholders;
- f) date of conducting the adjourned meeting in the event of absence of the quorum at the first meeting.

5. Materials provided to shareholders through sending them a written notice and/or publishing the notice in official printing body approved by the company must contain all information necessary for taking decisions during voting. Information contained in these materials must be authentic.

Materials subject to be provided to shareholders while preparing for conducting the general meeting of shareholders shall include the annual report of the company and report of the auditor of the company on results of the inspection of financial and economic activity of the company for a year, information on candidates to the board of directors of the company and audit commission (auditor) of the company, draft amendments to be made in the charter of the company, or new draft of the charter of the company when it is necessary to amend it.

6. The agenda of the annual meeting of shareholders shall be formed by the executive body of the company as agreed with the board of directors with certain formulation of questions brought for the discussion.

If an adjourned meeting is conducted the agenda may be left without changes. The agenda of a general meeting of shareholders may be changed, if all shareholders (representatives) of the company participate in it.

The agenda of a general meeting specified in the notice may be added according to the suggestion of shareholders who own in aggregate no less than 5 percent of voting shares within not less than 15 days before the date of conducting the meeting.

7. In the event the person registered in the registry of shareholders of the company is a nominal holder of shares, the message on conducting of the general meeting of shareholders shall be sent to him. The nominal holder of shares shall be obliged to inform his customers about that in the order and within the term established by normative acts or the contract with the customer.

8. A shareholder may refuse from the notice in writing and transfer the refusal to the registrar of the company.

9. Presence of a shareholder at the meeting shall:

a) waive objections connected with absence of notice of the meeting unless the shareholder before beginning of the meeting objects to holding a meeting or transacting business at the meeting;

b) waive objection to consideration of a particular matter at the meeting that is not within the agenda of the meeting described in the notice, unless the shareholder objects to considering the matter when it is presented.

#### ***Article 56. Returning board***

1. Within the company with more than one hundred shareholders who own the company's voting stock, the returning board shall be formed, the quantitative and personal composition whereof shall be approved by the general meeting of shareholders as proposed by the board of directors of the company.

2. The returning board may not consist of less than three persons. The board may not consist of members of the board of directors of the company, members of the audit commission (auditor) of the company, members of the executive body of the company, trust manager, and persons proposed as nominees for such positions.

3. As for the company with more than five hundred shareholders – functions of the returning board must be delegated to the registrar of the company.

4. The returning board shall:

- 1) determine presence of the quorum at the general meeting of shareholders;
- 2) explain issues that emerge in connection with exercising of the voting right by shareholders (their representatives) at the general meeting;
- 3) explain the procedure of voting on issues brought for voting;
- 4) ensure the established procedure for voting and the right of shareholders to participate in voting;
- 5) poll votes and give results of voting, make up the minutes on results of voting, transfer bulletins for voting to the archive.

#### ***Article 57. Quorum of a general meeting of shareholders***

1. The general meeting of shareholders shall be competent (have a quorum) if by the end of the registration for participation in the general meeting of shareholders the shareholders (their representatives) who in aggregate own more than 50 percent of votes of placed shares of the company are registered.

2. If bulletins for voting are sent to shareholders the votes represented by the specified bulletins and received by the company by the moment of registration of participants of the meeting shall be taken into account for determination of the quorum and results of voting.

3. The adjourned general meeting of shareholders convened instead of the meeting which did not take place shall be competent, if by the end of registration for participation in it the shareholders (their representatives) who own in aggregate not less than 40 percent of the placed shares of the company are registered. The charter of the company with more than ten thousand shareholders may provide a smaller quorum (to 20 percent of placed shares of the

company) for conducting of the general meeting of shareholders instead of the one which did not take place.

Decisions of the adjourned general meeting shall be valid if the procedure for convening of the first meeting was observed.

4. Requirements to the quorum of the general meeting of shareholders shall not apply to investment privatization funds formed in the process of privatization. In this case the general meeting shall be competent if it has shareholders (their representatives) who own in aggregate no less than 5 percent of shares of the company.

#### ***Article 58. Order of conducting the general meeting of shareholders***

1. Regulations of the general meeting of shareholders shall be determined according to this Law, charter of the company, rules and other documents that regulate internal activity of the company, or directly by the general meeting itself.

2. Before opening of the general meeting the registration of arrived shareholders and their representatives shall be conducted. Representatives of shareholders must show the document that certifies their powers of voting at the general meeting.

An unregistered shareholder (representative of the shareholder) shall not be taken into account while determining the quorum and cannot participate in voting.

3. A general meeting of shareholders shall be opened at the appointed time when the quorum is available.

The meeting cannot be opened before the appointed time, except when all shareholders or their representatives are already registered, notified and do not object to changing the time of opening of the meeting.

4. A person who opens the general meeting shall conduct elections of the presiding person, secretary of the general meeting, representatives of shareholders, who witness the correctness of making the minutes, members of the returning board. If the charter of the company provides otherwise, during voting on election of the persons listed in this section each shareholder shall have one vote and decision shall be taken by a simple majority of votes of the people who are present.

Members of the executive body of the company and its audit commission (auditor) cannot preside at the general meeting, except when all shareholders present at the meeting are members of the executive body or audit commission (auditor) of the company.

5. The secretary of the general meeting shall be responsible for maintaining the minutes of the general meeting.

#### ***Article 59. Representation***

1. A shareholder may participate and vote at the general meeting personally or through a representative.

Members of management bodies and audit commission (auditor) of the company cannot act as representatives of shareholders at the general meeting.

A representative of a shareholder acts on the basis of the proxy executed according to requirements of the Civil Code of the Republic of Kazakhstan.

A proxy for voting right does not require a notarial verification.

2. If a trust management of shares of the shareholder is appointed the trust manager may act as representative of the shareholder at the general meeting unless otherwise provided by the contract between the shareholder and trust manager.

3. Appointment of a representative shall be valid if the proxy or other document that certifies his powers is received by the person who is authorized to poll.

4. Voting on shares that are pledged shall be conducted according to the terms of the pledge agreement.

5. Death or disability of the shareholder who has appointed a representative shall not influence the right of the company to accept powers of the representative, if the notice of death or disability is not received by the person who is authorized to poll at the general meeting of shareholders before the representative starts to carry out his functions according to the assignment.

#### ***Article 60. Voting at a general meeting of shareholders***

Voting at the general meeting of shareholders shall be conducted according to the principle «one share of the company - one vote», except cumulative voting during election of members of the board of directors of the company and other cases stipulated in this Law.

#### ***Article 61. Minutes on results of voting***

1. According to results of voting the person authorized to poll at the general meeting of the company shall make up and sign the minutes on results of voting.

2. After making the minutes on results of voting and signing the minutes of the general meeting of shareholders, the bulletins for voting shall be sealed and transferred to the archive of the company for keeping.

3. The minutes on results of voting must be attached to the minutes of the general meeting of shareholders.

4. Results of voting shall be announced at the general meeting of shareholders during which the voting has taken place or reported to shareholders after the general meeting of shareholders is closed by publishing the report on results of voting in the printing body determined by the charter or sending it to its shareholders.

#### ***Article 62. Minutes of a general meeting of shareholders***

1. Minutes of the general meeting of shareholders shall be made in two copies not later than within 15 days after the general meeting of shareholders is closed.

2. Minutes of the general meeting of shareholders shall specify:

- 1) place and time of conducting the general meeting of shareholders;
- 2) total number of votes of shareholders who own voting shares of the company;
- 3) number of votes owned by shareholders who participate in the meeting;
- 4) chairperson (presidium) and secretary of the meeting;
- 5) agenda of the meeting.

Minutes of the general meeting of shareholders of the company must contain the principal points of speeches, questions brought for voting, results of voting on them, and decisions taken by the meeting.

3. Minutes shall be signed by the presiding, secretary of the general meeting, representatives of shareholders who witness its correctness, members of the returning board or a person authorized to poll at the general meeting of shareholders. If a person obliged to sign it cannot do it the minutes shall be signed by his representative on the basis of a proxy given to him.

4. Minutes of all general meetings shall be attached to the book of minutes, which is kept by the executive body of the company and must at any time be accessible to any shareholder for information. Upon demand of shareholders they shall be given certified excerpts from the book of minutes.

## **THE CHAPTER VI. COMPANY MANAGEMENT**

### ***Article 63. Board of directors of a company***

1. The board of directors of a company shall carry out the general management of the company activity, with the exception of the resolution of issues, referred by this Law to the exclusive competence of the general meeting of shareholders. The decision of board of directors are accepted in the order, determined by the present chapter.

2. In a closed company the charter of the company can stipulate that the functions of the board of directors of the company shall be realized by the general meeting of shareholders. In this case the charter of the company shall contain a reference to the particular person or body of the company, to the competence of which the decision of undertaking a general meeting and on approval of its agenda pertains.

3. Upon the decision of the general meeting of shareholders, the members of the board of directors of the company, during the period of performance by them of their own duties, may be paid remuneration and (or) reimbursed expenses, connected with the performance by them of functions of members of the board of directors of the company. The amount of such remuneration and compensation are to be established by the decision of the general meeting of the shareholders.

### ***Article 64. Competence of the board of directors of a company***

The competence of board of directors of a company is entered by(with) the decision of questions of a general(common) management(manual) by activity of a company, except for questions, referred by this Law and the charter to the exclusive competence of general meeting of the shareholders.

To the exclusive competence of board of directors of a company the following questions concern:

- 1) Definition(determination) of priority directions of activity of a company;

- 2) Acceptance of the decision about convocation of annual and extraordinary general meetings of the shareholders of a company, except for cases, stipulated by this Law;
  - 3) Statement of the agenda of general meeting of the shareholders;
  - 4) determination of the date of preparation of the list of shareholders, eligible to participate in the general meeting of shareholders, and other questions connected with preparation and conducting of the general meeting of shareholders;
  - 5) proposal to the decision of general meeting of the shareholders of questions, stipulated by this Law;
  - 6) determination of the market value of property according to this Law;
  - 7) Repayment of the shares placed by the company, bonds and other security papers in the events, stipulated by this Law;
  - 8) Formation of the executive body of the company and the prior termination of its powers, the determination of the amount of remuneration and compensation paid to it;
  - 9) Determination of a rate of commission to the members of the auditing commission (auditor) company and determination of the size of payment of services of auditor.
  - 10) Acceptance of the decision about the size and order of payment of the dividends;
  - 11) Determination about use of the net income, means of the reserve capital and other funds of the company;
  - 12) Statement of the internal documents of a company, determining the order of activity of bodies of management of the company;
  - 13) Formation of branches and opening of representations of the company;
  - 14) Acceptance of the decision about participation of the company in other organizations, except for the cases stipulated by this Law;
  - 15) Conclusion of the large transactions, connected to the purchase and alienation by the company of property;
  - 16) Statement of the contract with the registrar about rendering of services on running the register of the holders of security papers;
  - 17) Other questions, stipulated by this Law and the charter of a company.
- The questions, referred to the exclusive competence of board of directors of a company, cannot be transferred to the decision of the executive body of the company.

#### ***Article 65. Election of the board of directors of a company***

1. All members of board of directors of a company are selected by annual assembly of the shareholders in the order, stipulated by this Law and the charter of a company.
2. The members of the collective executive body of a company, except his(its) chairman, cannot be the members of board of directors of a company. The person, solely carrying out functions of the executive body, and the chairman of the executive body cannot be simultaneously chairman of board of directors of a company.
3. The requirements, showed to the persons, elected in structure of board of directors of a company, can be established by the charter of a company or internal document, authorized by general meeting of the shareholders. More than fifty percents(interests) of the members of board of directors of a public company should be by the independent directors.
4. The quantitative composition of the board of directors of the company shall be defined by the charter of the company or the decision of a general meeting of shareholders in accordance with requirements of this Law.



For an open company the numerical composition of the board of directors of a company cannot be less than five members, and for a public company - not less than nine members.

5. Elections of the members of board of directors of an open company shall be realized by cumulative voting. In a closed company the charter can provide for cumulative voting at the election of the members of the board of directors of the company.

When undertaking cumulative voting each voting share of the company must have an amount of votes equal to the total number of members of the board of directors of the company. A shareholder has the right to cast all his votes on shares that belong to him for one candidate completely or distribute them between several candidates to members of the board of directors of the company. The candidates who have the largest number of votes shall be taken into account.

#### ***Article 66. Term of office of a member of the board of directors***

1. All members of board of directors are selected annually by the annual meeting of the company. The member of board of directors can be elected a person, not being a shareholder of a the company.

2. The persons, elected in structure of board of directors of a company can be re-elected unlimited number of times.

3. Upon the decision of the general meeting of the shareholders the authority of each member (all members) of the board of directors of a company can be terminated ahead of schedule on any basis. In case of the election of the members of board of directors of a company by cumulative by voting the decision of the general meeting of the shareholders on the ahead of schedule termination of powers can be accepted only concerning all members of board of directors of a company.

4. The term of power of the previous member of board of directors of a company expires at the moment of realization of the meeting of the shareholders, on which passes the election of the new members of the board of directors.

Despite the expiration of the term of powers of a director he shall continue to perform his duties until a new director actually commences to perform the duties or the number of directors is reduced.

5. The member of board of directors, elected or nominated for replacement of a vacant post, is selected or is nominated to the remaining term of office of his predecessor.

#### ***Article 67. Resignation of the member of board of directors***

1. A member of the board of directors may submit a resignation at any time by means of the notice in writing to the board of directors.

2. The Resignation shall be considered officially accepted from the receipt of the notice, unless the notice determines a later term of resignation.

#### ***Article 68. Chairman of the board of directors of a company***

1. The chairman of board of directors of a company is selected from their number, by a majority of votes of the members of board of directors, unless otherwise is provided by the charter of the company.

The board of directors of a company shall be entitled anytime to re-elect its chairman by the majority of the entire membership of directors, unless the charter provides otherwise.

2. The chairman of the board of directors shall organize its work, call and preside at meetings of the board of directors, organize keeping records of the meetings, presides at general meetings, unless otherwise is provided by the charter.

3. In the absence of the chairman of the board of directors of the company, his functions shall be performed by one of the directors of the company upon the decision of the board of directors of the company.

#### ***Article 69. Notice of a session of the board of directors***

1. The session of board of directors will be carried out by the notice to the members of board of directors with the indication of the date, time, place and purpose of the convocation of the forthcoming session, unless otherwise provided by the charter.

2. The notice on realization of a session is directed not later than three days before convocation of a session, unless a different time is stipulated by the charter.

3. The member of board of directors is obliged beforehand to notify the chairman of the board on the impossibility of his participation in a session of the board.

#### ***Article 70. Conducting of a session of board of directors without notice***

1. The member of board of directors can waive the rights of the notice, stipulated by article 69 of this Law, up to or after date and time, specified in the notice. Except for the cases, stipulated by item 2 of the present article, the waiver should be submitted in writing, signed by the member of board of directors, to address of which the notice is sent, and to be kept together with the protocols or registration documentation of the company.

2. Presence of the member of board of directors on assembly releases him from the transfer to him of notice, except for cases, if the director prior to the beginning of the session or at once after the arrival at it objects to the realization of the given session and acceptance during it of any decisions, does not vote and does not give the consent to the fulfillment of actions planned at the session.

#### ***Article 71. Session of the board of directors of a company***

1. The session of board of directors of a company is convened by the chairman of the board of directors of the company under his own initiative, on the request of the member of the board of directors, auditing commission (auditor) company or auditor of a company, executive body of a company, and also other persons, determined by the charter of a company. The order of convocation and realization of sessions of board of directors of a company is determined by the charter of a company or internal document of the company. The charter of a company can be stipulated an opportunity of acceptance of the decisions by board of directors of a company by absentee ballot.

2. The quorum for realization of a session of board of directors of a company is determined by the charter of a company, but there is no less than half of the number of the elected members of board of directors of a company. In the case when the number of the members of board of directors of a company becomes less than half of the number, stipulated by

the charter of a company, the company is obliged to call an extraordinary general meeting of the shareholders for election of new structure of the directors of a company. The remaining members of the board of directors of the company may make a decision only on the convocation of such extraordinary general meeting of the shareholders.

3. The decisions on a session of board of directors of a company are accepted by the majority of votes of the present members of board of directors, unless otherwise is stipulated by this Law and charter. At the decision of questions on a session of board of directors of a company each member of board of directors of a company has one vote.

The transfer of votes by one member of board of directors of a company to other member of board of directors of a company is forbidden.

The charter of a company can stipulate the right of a deciding vote of the chairman of the board of directors of a company at acceptance of the decisions in case of equality of the votes of the members of board of directors of a company.

4. On a session of board of directors of a company the protocol is to be kept.

The protocol of a session of board of directors of a company is made not later than 10 days after its realization.

In the protocol of a session are specified:

- Place and time of its realization;
- Persons, present at the session;
- Agenda of the session;
- Questions, put on voting, and the results of the voting on them;
- Accepted decisions.

The protocol of a session of board of directors subscribes by all members of board of directors, participating in the session.

#### ***Article 72. Correspondence session of the board of directors***

1. Unless otherwise is stipulated by the charter, the correspondence sessions of the members of board of directors can be conducted under the condition of, in it all members of the board of directors participate. The accepted decision on the realization of a correspondence session of the members of board of directors, and also the decision on results of a session should be signed by each director and to be kept together with the reports of the company.

2. The decision, accepted on a correspondence session of the members of board of directors, enters legal force from the moment of its signing by each member of the board), if a decision of the board of directors does not stipulate otherwise.

#### ***Article 73. Auditing commission (auditor) company***

1. For realization of the control for financial-economic activity of the executive body of a company an auditing commission from among the shareholder or their representatives can be formed.

The auditing commission will be formed in a structure of no more than five persons, unless a greater number of its members is stipulated by the charter of the company.

2. The auditing commission or auditor of a company are selected by general meeting for the term of, determined in the charter of a company, but not exceeding five years.

3. The members of the executive body and board of directors of a company cannot be the members of an auditing commission (auditor).

4. The auditing commission (auditor) may at any time under the own initiative, on a commission of general meeting, board of directors or on demand of the shareholders, owning in aggregate more than 10 percents(interests) of the shares, to carry out(spend) checks of financial-economic activity of the executive body of a company. The auditing commission (auditor) has for this purpose the right of unconditional access to the documentation of the company. On the request of the auditing commission (auditor) the members of the executive body are obliged to give the necessary explanations in the oral or written form.

5. The auditing commission (auditor) in the certain order will inspect the annual financial reporting of a company up to their statement by general meeting of the shareholders. The general meeting may not approve the annual financial reporting without the conclusion of an auditing commission (auditor) or conclusion of auditor.

6. The operating procedure of the auditing commission (auditor) of a company is defined(determined) by the charter, and also rules and other documents, regulating the internal activity of the company.

#### ***Article 74. Audit of a company***

1. For check and confirmation of correctness of the annual financial reporting of a company, and also current condition of its businesses the company may in cases and order, determined in its charter, to involve a professional auditor, not connected with property interests with the company, the members of its executive body, board of directors or shareholders (external audit).

2. The realization of auditing of check of the annual financial reporting is mandatory public companies.

3. Any shareholder may require(demand) realization at own expense auditing check of the financial reporting of a company.

4. If the executive body of a company evades from realization auditing of check of the financial reporting of a company, when such check is certain or when its realizations are required by the shareholder, such check can be nominated by the decision of court, accepted on the application of any interested person.

#### ***Article 75. Executive body of a company***

1. The management of the current activity comes true by the executive body of a company. The executive body of a company can be collective or individual.

Under the decision of the board of directors power of the executive body of a company can be transferred under the contract of trust management. The conditions of the concluded contract shall be affirmed by the board of directors of the company, unless otherwise stipulated by the charter of the company.

2. The executive body of a company will organize the fulfillment of the decisions of general meeting of the shareholders and the board of directors of a company.

The executive body of a company works on behalf of the company, including represents its interests, makes the bargains on behalf of a company, approves the staffs, issues the orders and instructions, necessary for performance by all workers of the company.

3. Formation of the executive body of a company and prior termination of its powers is realized by the decision of the board of directors of the company in accordance with legislative acts..

The rights and the duties of the members of the executive body and trust managing of a company are determined by this Law, other acts, and also contract, concluded by each of them with a company. The contract on behalf of the company shall be subscribed by the chairman of board of directors of a company or a person, authorized by the board of directors of the company.

On the relations between a company and members of the executive body of a company, by the trust manager of a company, the action of the legislation about labor is distributed in a part, not contradicting to the provisions of this Law.

The overlapping by the person, carrying out functions of the executive body of a company, of trust managing company, posts in bodies of management of other organizations is allowed only with the consent of the board of directors of the company.

#### ***Article 76. Competence of the executive body of a company***

1. To the competence of the executive body of a company shall pertain all questions of maintenance of activity of a company, not relating to the competence of the general meetings or board of directors, determined of by this Law, the charter of a company or rules and other documents, accepted by general meeting, concern.

Taking decisions on issues which are beyond the exclusive competence of a general meeting or the board of directors and referred to the executive body by this Law shall also pertain to the competence of the company executive body.

2. In the relations with the third persons the company may not refer to restrictions established by it of powers of the executive body of a company. However the company may challenge the validity of the bargain, accomplished by its executive body with the third person with infringement of established restrictions, if it will prove, that at the moment of the conclusion of the bargain the third person knew of such restrictions.

#### ***Article 77. Collective executive body of a company***

1. The collective the executive body is selected by board of directors in quantity(amount) no more than seven members, unless otherwise is established by the charter of the company.

2. The chairman of the collective of the executive body of a company is selected by the general meeting of a company, the charter of a company does not stipulate his election by the collective body itself.

3. The order of activity of the collective executive body of a company and acceptance by it of the decisions is determined by the charter of a company, and also rules and other documents, accepted by general meeting of the shareholders, board of directors and by itself the collective executive body.

#### ***Article 78. Powers of the chairman of the executive body of a company***

1. Chairman of the executive body(manager)of a company:

1) Without a power of attorney works on behalf of a company;

- 2) Gives out the powers of attorney on the right to represent the company;
- 3) Concerning the workers of a company issues the orders on assignment of them to a position, about their translation and dismissal, determines the systems of payment of labor, establishes the sizes of the official salaries and personal extra expenses, decides questions of bonuses, arranges encouragement and imposes discipline;
- 4) Carries out other powers, transferred(handed) to it(him) by general meeting of the shareholders or board of directors.

2. The order of activity of the chairman of the executive body of a company and acceptance by him(it) of the decisions is defined(determined) by the charter of a company, and also rules and other documents, accepted by general meeting of the shareholders or board of directors.

#### ***Article 79. General principles of activity of the directors***

1. The member of board of directors carries out the duties assigned on him):
  - a) Honestly;
  - b) With care of the reasonable person, occupying a similar post and working in similar circumstances;
  - c) Using ways, which the director reasonably considers in the best interest of the company.
2. The member of board of directors during the performance of the duties assigned to him may at acceptance of decisions rely on the documents, financial reporting, opinion, application, and also other written or oral information, if they are prepared and are submitted:
  - 1) As the officials or other workers of a company, which the director reasonably believe trusts and considers their competent in questions on the accepted decisions;
  - 2) State employees, lawyers and other persons, which the director considers reliable and competent to decide the submitted questions.
3. At attraction of the member of board of directors to the responsibility for unfair performance of the duties he cannot refer on the persons, listed in item 2 of the present article, if he owns knowledge in essence of a question that makes his dependence on these persons unwarranted.
4. The member of board of directors is released from the responsibility for the accepted decisions and fulfillment of actions or inactivity in case he executed the duties of the director according to rules of the present article.

#### ***Article 80. The responsibility of the officials and trust manager of a company***

1. The members of board of directors of a company, members of the executive body and the trust manager of a company at realization of the rights and performance of duties should work in the interests of the company, to carry out the rights and to execute duties concerning the company honestly and reasonably.
2. The members of board of directors of a company, members of the executive body of a company, the trust manager bear responsibility before a company for the losses, caused to a company by their by actions ( inactivity), if another basis and size of the responsibility are established by the legislative acts.

Thus in board of directors of a company, executive body of a company, from among the trust managers the members, voting against the decision, do not bear the responsibility which has entailed to a company the infliction of losses, or not accepting participation in voting.

3. At the determination of the basis and size of the responsibility of the members of the board of directors of a company, the executive body of a company, trust manager of a company should be usual conditions of a business intercourse and the other circumstances, important for businesses shall be taken into account.

4. In the events according to provisions of the present article the responsibility is carried by several persons, their responsibility before the company is joint and several.

5. The company or the shareholder of a company may address to court with a claim against the members of the board of directors of the company, the executive body of the company, and to the trust manager about compensation of the losses suffered by them.

## **CHAPTER VII. REORGANIZATION AND LIQUIDATION OF A COMPANY**

### ***Article 81. Reorganization of a company***

1. Reorganization of a company (merger, consolidation, division, separation, transformation) may be performed voluntarily upon decision of the general meeting of shareholders.

Alienation of the shares or other change of structure of the shareholders is not a reorganization of a company.

2. In the circumstances provided by legislative acts, the reorganization of the company in the form of division or separation of one or several companies from it shall be performed upon decision of the authorized state bodies or court.

3. In the circumstances provided by legislative acts, the reorganization of companies in the form of merger or consolidation may be performed only upon the consent of the authorized state bodies.

Reorganization of a company may be performed in the form of combining different types of reorganization (merger with separation of a company from one of merging companies, division with partial merger, separation with partial merger etc.) under condition of observance of requirements applied to each type of reorganization.

Property shall be transferred to the successor at the moment of its registration, unless otherwise provided by legislative acts or decision on reorganization.

4. The shareholder, owning the privileged share, has the right to vote at the decision of a question on the reorganization of a company.

### ***Article 82. Merger and acquisition of companies***

1. The merger of two or several companies shall be performed by complete association of property of these companies with the subsequent replacement of the shares of companies, involved in the merger, by shares of the newly created company. In result of a merger there is a new company, and the merging companies terminate as legal entities. Thus all rights and duties of each of companies participating in the merger pass to the newly arising company according to the transfer act.

2. Acquisition between one or several companies and other company shall be performed by inclusion of the property of joining companies to the property of the joined one with subsequent replacement of shares of the joining companies by shares of the existing company. Herewith the joining companies shall terminate and all their rights and responsibilities shall be transferred according to the transfer act to the joined company, the charter of which shall be amended according to reorganization.

3. Executive bodies of companies that participate in merger or acquisition shall prepare drafts of the agreement on merger (consolidation) and submit issues on merger (consolidation) and approval of the agreement on merger (consolidation) for consideration of the general meeting of shareholders of each company.

The Coordinated text of the agreement on merger (acquisition) shall be signed by authorized executive bodies of the companies.

The contract about merger or acquisition must contain information on the firm name, place of location and address of each of the companies participating in the merger or consolidation, specifications of their balances, and also to provide the order and conditions of merger or consolidation, in particular the order of an exchange of the shares involved in merger or affiliates of companies on the share of a created or affiliated company. The information shall be rendered to the shareholders of the companies by publication in the official press, approved by the companies, and/or by direct delivery. The authorized body may provide any additional information to be rendered to shareholders of a public company.

4. Each company participating in merger (consolidation) shall be obliged within two months from the day of adoption of the decision on merger (consolidation) by its general meeting of shareholders to send a written notice of merger (consolidation) to all its creditors and publish a correspondent announcement in official press. Information on other companies participating in merger (consolidation) specified in par. 3 of this article shall be attached to the notice (announcement).

Creditors of the company shall have the right within two months from the day of receiving a notice or publication of announcement to require from the company additional warranties or early termination or performance of correspondent obligations and indemnification by the company. Requirements shall be sent to the company in writing and their copies may be filed to the body that has conducted state registration of the company.

5. Each company participating in merger or consolidation shall be obliged from the moment of adoption of the decision on merger or consolidation by the general meeting of shareholders to inform creditors on obligations that appear after adoption of the decision about it.

### ***Article 83. Division and separation of a Company***

1. Division of a company shall be performed by division of the property of this company between two or several newly formed companies with subsequent replacement of shares of the reorganized company by shares of the newly formed companies. Herewith rights and obligations of the divided company shall be transferred to the newly formed companies according to the division balance.

2. Separation of one or several companies from a company shall be performed by separation of a part of the property of the company and its transfer to one or several newly formed companies with subsequent replacement of shares of the reorganized company that belong to shareholders of the separated companies by shares of the new companies. Herewith a



part of rights and obligations of the reorganized company shall be transferred to the newly formed companies according to the division balance.

3. The executive body of the reorganized company shall prepare a plan of division (separation) and draft charters of new companies and submit the issues of division (separation) of the company, approval of the plan of division (separation), charters of new partnerships and division balance as well as election of executive and other bodies of newly formed companies for consideration of the general meeting of shareholders.

4. Decision on division (separation) accepted by general meeting must define the order of exchange of shares of the reorganized company for shares of new companies and correlation of types and face value of the specified shares that is applicable in the event of exchange of each type of earlier issued shares of the reorganized company. Herewith the rights (including the right on choice of shares for exchange), provided to owners of shares of one type, must be the same. The rights provided to any shareholder of the reorganized company as a result of exchange of his shares for shares of new companies cannot be reduced or restricted if compared with rights provided to him by the charter of the reorganized company.

Unless otherwise provided by the charter of the company, during its division (separation) each shareholder may receive a share in the authorized capital of each newly formed company equal to his share in the authorized capital of the reorganized company.

5. A company shall be obliged from the moment the decision on division (separation) is taken by the general meeting of shareholders to inform creditors on obligations that emerge after this decision about it.

6. A company shall be obliged within two months from the day the decision on division (separation) is taken by the general meeting of shareholders to send written notices of division (separation) to all its creditors and publish a correspondent announcement in official press. The division balance and information on the trade name, location and address of each newly formed company shall be attached to the notice (announcement).

7. Creditors of the reorganized company may within two months from the day of receiving the notice (publication of the announcement) require from the company early termination or performance of the corresponding obligations and indemnification of losses by it. Requirements shall be sent to the company in writing and their copies may be filed to the body that has conducted state registration of the company.

8. Companies that are formed as a result of division (separation) of the company shall bear joint and several liability on its obligations during one year from the moment of registration of new companies.

#### ***Article 84. Consequences of failure to meet requirements to the compulsory reorganization of a company***

1. If the bodies of a company empowered to perform division or separation by compulsory reorganization under the decision of court fail to divide or separate the company in the term fixed in its decision, the court may appoint a trust manager of the company and assign him to carry out the division or allocation of the company.

2. From the moment of assignment of the trust manager to him the powers on management of the businesses of the company pass.

3. The trust manager, acting on behalf of a company, makes a dividing balance and transfers it for consideration of the court together with the constituent documents of division

arising in result or allocation of the companies. The state registration of the newly arising companies is realized on the basis of the decision of the court.

#### ***Article 85. Transformation of a company***

1. The company may be transformed to other economic company or in industrial cooperative society, to which pass all rights and duties of the transformed company according to the transfer act.

2. The executive body of a transformed company bears the decision of general meeting of the shareholders on the question on the transformation of the company, the order and about the conditions of realization of transformation, about the order of an exchange of the shares of a company on the contributions of the participants of economic company or shares of the members of industrial cooperative society.

3. The general meeting of the shareholders of transformation of a company makes a decision on the transformation of the company, the order and about conditions of realization of transformation, about the order of an exchange of the shares of a company on the contributions of the participants of economic company or shares of the members of industrial cooperative society. The participants of the new legal entity created at transformation accept on the joint session the decision on the statement of its constituent documents and the selection of the bodies of management according to norms of the Civil Code and present law.

4. At transformation of a company the sizes of a share of the authorized capital, belonging to each of its shareholders, cannot be changed.

#### ***Article 86. State registration of a company resulting from reorganization***

1. The state registration of a company, arising in result of reorganization, shall be performed according to the rules of registration of the legal entities, established by legislative acts.

2. In the event of merger state registration shall be performed by the registering body in the place of location of the newly formed company. In the event of consolidation state registration shall be performed by the registering body in the place of location of the joined company.

In the event of division (separation) state registration shall be performed by the registering body in the place of location of the reorganized company. The registering body shall provide the information on state registration of new companies to the bodies that perform state registration of legal entities in the place of location of newly formed companies.

In the event of transformation state registration shall be performed by the registering body in the place of location of the transformed company.

3. The state registration of a company, arising in result reorganization, is made by a the body, carrying out state registration of the legal entities, on expiration of the term, given to the creditors for claims to the companies participating in the reorganization. If the body, carrying out state registration of the legal entities, receives copies of the claims of the creditors of the companies participating in reorganization, the newly arising company is registered under condition of representation of the proofs of performance of these claims or the absence at the declaring their creditors of objections against reorganization.

4. If during a year from the day, when by general meeting of the participants of the latter companies participating in the reorganization the decision on reorganization was accepted, the application for state registration will not be filed or the necessary proofs (item 3 of the present article) will not be submitted, the reorganization is considered void.

5. The companies, participating in reorganization, except for cases of reorganization in the form of connection and allocation, stop from the moment of state registration of again arising companies and are excluded from the state register of the legal entities.

A joining company shall terminate from the moment of registration of its joining to the other company and is excluded from the state register of the legal entities.

#### ***Article 87. Liquidation of a company***

1. The decision on the voluntary liquidation of a company is accepted by the general meeting of the shareholders, which determines the liquidating procedure under the agreement with the creditors and under their control, according to the legislation on bankruptcy. The shareholders, owning in the aggregate five or more per cent of the company placed shares, may have a representative in the liquidation commission of the company.

2. The court can make a decision about compulsory liquidation of a company in cases:

- 1) Declaration(application) for bankruptcy;
- 2) Recognition of void registration of a company in connection with infringements allowed at formation of the legislation, which have inherent character;
- 3) Excess of number of the shareholders of a closed company of number of the shareholders, established for a closed company, if the decision on transformation is not accepted;
- 4) In other cases, stipulated by the legislative acts.

3. In cases, when number of the shareholders of a closed company will exceed one hundred, the general meeting of the shareholders should during three months accept the decision on the transformation of the closed company into an open, to bring in respective alterations to the constituent documents and to ensure their registration.

4. The liquidation of a company on the basis, not stipulated by this Law, is possible in the cases, when such other basis are established by the Civil Code or other legislative acts accepted according to it.

5. The requirement about liquidation of a company on the basis, specified in item of the second of the present article, can be presented in court by the interested persons, if by the acts is not stipulated otherwise.

6. Decision of a court on liquidation of a company on the basis, specified in item 3 of the present article, or the decision of general meeting on the basis, specified in item 1 of the present article, is nominated a liquidating commission (liquidator), which shall be the trust manager with assignment on it the duties on realization of the liquidation of the company. The mentioned rights can be assigned to a company; authorized by a company a body; a body, authorized on liquidation of a company by its constituent documents, or other body, nominated by the court.

#### ***Article 88. Satisfaction of the creditors claims in liquidation of a company***

1. The procedure of liquidation of a company and order of satisfaction of the claims of its creditors shall be controlled by the Civil Code.

2. The duties, connected to liquidation, caused by a declaration for bankruptcy or agreement on liquidation of a company under the control of the creditors, should be realized according to the legislation on bankruptcy.

***Article 89. Distribution of property of a liquidated company among shareholders***

1. Staying after end of accounts with the creditors the property of a liquidated company is distributed by a liquidating commission (liquidator) between the shareholders in the following sequence:

1) Payments under the shares first of all come true which should be redeemed according to this Law;

2) In the second turn payments charged, but not paid dividends under the privileged shares and determined by the charter of a company of liquidating cost under the privileged shares come true;

3) In a third the turn comes true distribution of property of a liquidated company between the shareholders - owners of the common shares.

2. The distribution of property of each turn comes true after complete distribution of property of the previous turn. The payment by a company determined by the charter of a company of liquidating cost under the privileged shares of a determined type comes true after complete payment determined by the charter of a company of liquidating cost under the privileged shares of the previous turn.

If property being available at a company it is not enough for payment charged, but not paid dividends and determined by the charter of a company of any liquidating value to all shareholders - owners of the privileged shares of one type, the property is distributed(allocated) between the shareholders - owners of this type of the privileged shares proportionally to quantity(amount) of the shares belonging to them of this type.

***Article 90. Record on the termination of a company***

The record about the termination of a company by a recording body is brought in by granting the following documents:

1) Decision of the appropriate body on liquidation or termination of the activity of a company;

2) Charter and certificate on state registration of a company;

3) Liquidating balance, either the transfer act, or dividing balance;

4) Document, confirming destruction of the round seal of the company;

5) Other documents, necessary at application of the legislation on bankruptcy.

## **CHAPTER VIII. LARGE TRANSACTIONS**

***Article 91. Large transactions connected with acquisition or alienation of property by a company***

1. For the purpose of this Law, a large transaction is:

1) a transaction and /or several interrelated transactions connected with acquisition or alienation or with possibility of alienation, directly or indirectly, by a company of its property the total value whereof is 25 or more per cent of the shareholders equity or 5 or more per cent for a public company, except for transactions closed in the course of ordinary business under the company charter;

2) a transaction or several interrelated transactions connected with redemption or sale of company securities constituting twenty five or more per cent of the company placed shares or five or more per cent for a public company.

2. The company charter or decision of a general meeting of shareholders may treat other transactions as large ones in addition to those listed in paragraph 1 of this article, as well as determine certain categories of transactions which shall be performed in the order provided for large transactions.

### ***Article 92 Order of taking decision to close a large transaction***

1. A company may close a large transaction only if the company management decides so.

2. In order that a company may close a large transaction the subject whereof is property with the cost of 25 up to 50 per cent of the company assets value or 5 up to 10 per cent of the public company assets value, the Board of Directors of the company shall take an appropriate decision unanimously. In the event no unanimity is achieved by the Board of Directors with regard to closing the large transaction, the decision thereon may be taken by a general meeting of shareholders.

3. Decision on closing a large transaction, the subject whereof property with the cost of more than 50 percent of the company assets value or more than 10 per cent of the shareholders equity of a public company shall be taken at a general meeting of shareholders by the majority of three-fourths of shareholders who own voting shares and are present at the meeting, unless other order of taking decision to close large transactions by a general meeting is provided by the company charter.

4. Decision on closing a large transaction the subject whereof redemption and placement of securities shall be taken at a general meeting of shareholders as provided by the charter.

5. A shareholder who owns a voting share of the company and voted negatively on closing a large transaction or did not take part in the voting may demand the company to redeem the shares he owns.

### ***Article 93. Value of property subject of a large transaction***

1. The value of the company property to be alienated, which is the subject of a large transaction, cannot be lower than the market price of a similar property at the place and on the day the large transaction is closed.

2. The value of the property to be acquired by a company, which is the subject of a large transaction, cannot be lower than the market price of a similar property at the place and on the day the large transaction is closed or assumed future prices approved by the board of directors for a fixed date.

3. A value of the property to be acquired or alienated, which is the subject of a large transaction, shall be determined by decision of the company board of directors, except when hereunder the market price of the property is determined by court.

4. Directors of the company who participate in determination of the value of the property which is the subject of a large transaction in the event of dispute among them shall engage an auditor or independent appraiser.

***Article 94. Determination of the market value of property subject of a large transaction***

1. The market value of property shall be the price at which a seller who has full information on the property value and not obliged to sell it would agree to sell it, and a buyer who has full information on the property value and not obliged to purchase it would agree to purchase it.

2. If the property the cost of which needs to be determined is in the form of shares or other securities, the price of purchase or the price of supply and demand of which is regularly published, these prices of purchase or of supply and demand shall be considered while determining the market value of the specified property.

3. If the property the value of which needs to be determined is in the form of common shares of the company, the amount of the shareholders' equity of the company, the price at which a buyer (who has full information on the total value of all common shares of the company) agrees to pay for all common shares of the company and other factors which are considered important by the person (persons) determining the property cost may be also taken into account for determination of the market value of the specified property.

***Article 95. Consequences of failure to comply with the requirements to closing large transactions***

1. Failure to comply with the requirements provided hereby for closing a large transaction shall entail invalidity of this transaction unless a person concluded a transaction with the company and acted in good faith knows or should have known that the company failed to comply with the specified requirements.

2. Any interested person may file a law suit for invalidation of a large transaction.

3. A person intentionally closed a large transaction with breaking the requirements of this Law and the company charter shall not be entitled to demand invalidation of the transaction if such demand is brought about by lucrative impulses or intention to evade from liability.

***Article 96. Responsibility of directors for their wrong actions in closing large transactions***

Directors of a company shall bear joint and several liability for losses caused by a large transaction closed in violation of this Law's requirements.

## **CHAPTER IX. INTEREST IN FULFILLMENT OF TRANSACTIONS BY A COMPANY**

### ***Article 97. Interest in fulfillment by a company of a transaction***

By the persons, interested in fulfillment by a company of the transaction, shall be admitted the member of Board of Directors of a company; the person, holding positions in other bodies of management of a company; the shareholder who together with his affiliated the person (persons) owns 10 or more percents of voting shares of the company, which is not public, and 5 or more percents of the voting shares of a public company, if above mentioned persons, their spouses, parents, children, brothers, sister, and also all their affiliated persons:

- 1) act as a party to such a transaction or as a representative or intermediary;
- 2) own 20 or more percent of voting shares (contributions, units) of a legal entity being a party to a trade or acting as a representative or intermediary, or 5 or more percent of voting shares of a public company;
- 3) hold positions in managing bodies of a legal entity being a party to a trade or acting as a representative or intermediary.

### ***Article 98. Information about interest in fulfillment by a company of a transaction***

The persons, specified in article 97 of this Law, shall notify the Board of Directors of a company, inspection committee and the auditor of the company concerning the following information:

- 1) About the legal entities, in which they own independently or together with affiliated person (persons) 20 or more percents of the voting shares (contributions, units), or 5 or more in than percents of the voting shares of a public company;
- 2) About the legal entities, in bodies of management of which they hold positions;
- 3) About known or suggested transactions whereby they may be deemed interested persons.

### ***Article 99. Requirements to the order of the conclusion of the transaction, in fulfillment of which is available interest***

1. The decision on the conclusion by an open company of a transaction, in fulfillment of which is available interest, is accepted by Board of Directors of a company by the majority of votes of the directors, not interested in its fulfillment.

2. The decision on the conclusion by a public company of a transaction, in fulfillment of which is available interest, is accepted by Board of Directors of a company by the majority of votes of the directors, not interested in its fulfillment.

For making a decision on a transaction in which there is an interest, the board of directors shall determine that the value of alienated property or rendered services which the company will receive within the transaction is not less than the market price of such property or services.

3. A decision on a transaction, in which there is available interest, shall be made at a general meeting of holders of voting shares by a majority vote of shareholders who are not interested in the transaction under consideration in the following cases:
  - 1) if total payment on the transaction and value of transacted property do not exceed 5 percent of the company's assets;
  - 2) if a transaction and (or) several interrelated transactions represent distribution of voting shares, or other securities convertible into voting shares, in excess of 5 percent of voting shares earlier placed by company.
4. The conclusion of the transaction, in fulfillment of which is available interest, shall not require the decision of general meeting of the shareholders, stipulated by item 3 of this article, in cases if:

The transaction represents a loan, given the interested person to a company;

The transaction is made during realization of regular business activity between a company and other party, which has been taking place before the moment when the latter is deemed interested party in accordance with article 97 of this law (a decision will be required before the next general meeting of shareholders).
5. In case of impossibility to define on date of holding a general meeting of the shareholders of the transactions, made during the course of business relations between a company and other party of the transaction, in fulfillment of which in future interest can arise, the requirements of paragraph 3 of this article shall be considered as fulfilled under condition of acceptance by a general meeting of the shareholders of the decision about an establishment of the contractual relations between a company and other person with indication of character of the transactions, which can be performed, and their limiting sums.
6. In a case if all members of Board of Directors of a company are considered as interested persons, the transaction can be performed under the decision of general meeting of the shareholder made by a majority of vote of shareholders not interested in a given transaction.
7. In a case if the transaction, in fulfillment of which is available interest, is simultaneously the large transaction, connected to purchase or transfer by a company of property, it shall be executed following the procedure defined in chapter VIII of this law.
8. Additional requirements to the order of the conclusion of the transaction, in fulfillment of which is available interest, can be established by the authorized body.

***Article 100. Consequences of non-compliance with the requirements to the transaction, in fulfillment of which is available interest***

1. The transaction, in fulfillment of which there is available interest, performed with infringement of the requirements to the transaction, stipulated by this law, shall be deemed null and void in judicial order.
2. The person, interested in fulfillment by a company of the transaction, performed with infringement of the requirements, stipulated by this Law, shall bear responsibility in the face of a company at a rate of the losses, caused by him to a company. In a case if the responsibility is born by several persons, their responsibility to the company shall be joint and several.



## **CHAPTER X. ACCOUNTING AND REPORTS OF COMPANY; PROVIDING OF INFORMATION**

### ***Article 101. Accounting and financial reports of a company***

1. For the purpose of inspection and control of economic activity, the company shall maintain accounting with respect to results of its activity and submit financial reports in the order provided by legislation.

2. Under this Law and the company charter, the open company executive body shall be responsible for organization, state and reliability of the company accounting and timely submission of annual and other financial reports as well as information on the company activities to the authorized body and company shareholders.

### ***Article 102. Annual company report***

1. The executive body of a company shall provide on the annual basis a report on results of activities for the expired year to a general meeting for its discussion and approval.

2. The annual report shall contain the report on economic activity of the company, annual balance sheet and statement on profits and losses of the company.

3. The audit commission of the company shall be responsible for reliability of the data contained in the annual company report.

4. The annual report of the company shall be subject to preliminary approval by the company Board of Directors no later than 30 days prior to the date of the respective annual general meeting of shareholders.

5. The annual report shall be approved finally at the general meeting of shareholders.

6. A public company shall submit its annual report to the authorized body within 60 days upon expiration of the fiscal year. The authorized body shall determine contents and order of the submission.

### ***Article 103. Information provided by a company to its shareholders***

1. A company shall ensure access of shareholders to company documents except for the information representing the company trade secret.

2. At the request of a shareholder, the company shall render him copies of the documents provided hereby in the order established by the company charter. The amount of a fee charged for rendering copies shall be fixed by the company and may not exceed the costs of making copies of documents and related postal expenses.

### ***Article 104. Obligatory publishing and rendering information by a company***

1. An open or public company shall publish its annual reports in official press.

2. A public company shall publish in official press and submit to the authorized body reports on its financial state within 20 days after each quarter. The reports shall be submitted under the laws on securities.

2. An open or public company shall publish information on its activity in the event it places its bonds as provided hereby.

#### ***Article 105. Information on changes in the company activities***

1. An open company shall within five working days deliver to the authorized body any information on changes in its economic activity that essentially affect the pecuniary shareholders interests unless the recent information contain data on the changes.

2. Such information shall contain the following:

- freezing of the company bank account;
- taking decision on liquidation of the company or suspension of its functioning;
- on reorganization of the company;
- on no less than 10 per cent of the company property destruction as a result of unusual circumstances;
- on procurement of a credit in the amount exceeding 25 per cent of the placed authorized capital of the company;
- on large transactions closed by the company.

#### ***Article 106. Keeping company documents***

1. A company shall keep the following documents:

- 1) its charter and any changes thereto;
- 2) decision on formation of the company, certificate on its state registration;
- 3) documents confirming rights of the company to the property reflected in its balance sheet;
- 4) internal documents of the company approved by general meetings or other management bodies of the company;
- 5) regulations on a company's branch or representative office;
- 6) annual financial report;
- 7) Prospectus of company shares;
- 8) accounting books;
- 9) financial reports submitted to corresponding bodies;
- 10) records of general meetings and of sessions of the Board of Directors, audit commission (the auditor) and executive body of the company;
- 11) opinions of the audit commission (the auditor), auditor of the company and of state financial supervisory bodies as well as other documents provided by this Law, the company charter, internal documents, decisions of general meetings, board of directors, management bodies of the company, as well as documents provided by statutory acts;
- 12) other documents provided by the legislation in force.

2. The company shall keep the documents specified in paragraph 1 of this article at the place its executive body is located or at a different place known and available to shareholders and creditors of the company and to other interested persons.

## **CHAPTER XI. SECURITIES HOLDER PROTECTION**

### ***Article 107. Company's responsibility to its securities holders***

1. No change to the rights of holders of company securities and obligations shall be permitted.
2. Any loss caused while issuing securities shall be indemnified of the company property.

### ***Article 108. Advertising activity of a company***

A company shall not be entitled to conduct an advertising campaign in open and public placing of its securities before the related Prospectus is registered.

When accepting an application for advertising of open placing of securities in mass media, their officials shall require that the company produces its securities issue registration certificate.

When issuing and placing securities, the company shall not be permitted to publish obligations with uncertain and contradictory terms respecting the investor rights. In the event of dispute on an obligation with uncertain and contradictory terms any doubt shall be interpreted in favor of the security holder.

### ***Article 109. Registrar responsibility to security holders***

Unreasonable denial of a registrar in making entry into the Security Holders Registry shall not be permitted.

Any interested person shall be entitled to appeal in court such action of the registrar.

The registrar shall be liable for any loss caused by failure to perform or improper performance of the duty to maintain the Registry in the order established by the civil legislation.

### ***Article 110. Informing of security holders by the authorized body***

1. To inform security holders and warn them of performed or future law violations at the security market, the authorized body on securities shall publish in mass media the following information:

- on suspension of issue and placement of securities and recognition of the issue as not achieved;
- on withdrawal or suspension of license to the right to conduct professional activity at the securities market;
- on inspection of activity of companies and professional participants at the securities market;

2. The authorized body shall maintain a database on securities market participants and, after written demand of a holder, render information provided it is not a trade secret.