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

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.

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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

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

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 es

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.

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

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 (a

3. The decision on payment of the annual

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

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.

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 on 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 re-placing 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

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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.

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.

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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.

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;

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.

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

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

Decisions of the adjourned general meeting sh

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

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 inco

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 sh(e)0008 Tm

The board of directors of a company shall be entitled anytime to re-elect its chairman by the majority of the entire membership of di

the charter of a company, the company is obliged to call an extraordinary general meeting of the

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

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

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.

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

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.

2. The duties, connected to liquidation, caused by a declaration for bankruptcy or

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

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

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

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 itnerested 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. Ion 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.