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**FINANCIAL SECTOR
DEEPENING PROJECT**

USAID FINANCIAL SECTOR DEEPENING PROJECT STUDY

**SHAREHOLDER RIGHTS UNDERLYING VOTING SHARES CONSTITUTING
DIFFERENT PERCENTAGES IN THE COMPANY'S STATUTORY CAPITAL**

This document is the English translation of the document prepared and submitted in Armenian.

DISCLAIMER

The views expressed in this memorandum do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

INTRODUCTION

This study is based on the Law of the Republic of Armenia on Joint Stock Companies.

The study involves shareholder rights underlying different numbers of voting shares.

Shareholder/s holding 1 voting share of the Company's statutory capital shall have the following rights:

- Accessing all documents related to liquidation of the Company;
- Obtaining his/her share of the Company's property by rights upon liquidation of the Company after having satisfied claims of the creditors, and in cases when the Company doesn't have outstanding liabilities against its creditors upon approval of the interim liquidation balance sheet;
- Participating in the Meeting, with the right to vote about all issues within his/her scope of authorities, personally or through an authorized person;
- Receiving dividends from the Company's profit;
- Having access to any information on activities of the Company, including balance sheets, reports, and information on Company's business and production activities, other than confidential documents, in a manner established by the Charter of the Company,
- Taking legal action, appealing decisions taken at the Meeting which contradict laws and other legal acts;
- Exercising the right of first refusal in acquiring new shares in the statutory capital proportional to his/her existing shares in case of allocation of Company's shares and convertible securities.
- Acquiring with a right of first refusal shares put up for sale in the statutory capital proportional to his/her existing shares within the period defined by the Charter, and where other shareholders do not exercise their rights of first refusal, acquiring the entire or a part of the package of shares put up for sale.
- Requesting the entity maintaining the shareholders registry to verify his/her ownership rights and provide a respective statement from the registry.
- Requiring the Company to determine the buyback price for the shares and repurchase all or a part of his/her shares if:
 - a. The Company rendered a decision on reorganization, suspension of the right of first refusal, or execution of a large transaction and the shareholder in question voted against or didn't vote for such decision; or
 - b. Additions or amendments are introduced in the Charter, or a new edition of the Charter is approved, which incorporates limitations to the rights of the shareholders in question, and if the latter didn't vote or voted against such decision.

Shareholder/s holding 1 or more percent of the voting shares of the Company's statutory capital shall have the following rights:

- Taking legal action against the Company's Board Members, Director, Department members, as well as the management units and the individual managers, claiming compensation for damage caused to the Company;

Shareholder/s holding 2 or more percent of the voting shares of the statutory capital shall have the following rights:

- Suggesting a maximum of two items in the agenda of the annual General Meeting and nominating candidates for Board members and members of the audit commission within 30 days after the end of the fiscal year or within a longer period as specified by the Charter of the Company.

Shareholder/s holding 5 or more percent of the voting shares of the statutory capital shall have the following rights:

- Requiring the auditor to conduct an audit of the financial and economic performance of the Company.

Shareholder/s holding 10 or more percent of the voting shares of the statutory capital shall have the following rights:

- Involving in the liquidation committee or assigning authorized representatives thereto;
- Becoming Board members without election or assigning authorized representatives to replace them within the Board;
- Requesting that an extraordinary General Meeting be assembled and assembling a meeting in cases when the Board fails to render the decision on assembling an extraordinary meeting of shareholders or renders a decision to reject the extraordinary meeting of shareholders;
- Reviewing the list of shareholders eligible for participating in the General Meeting of shareholders;
- Requiring the audit commission to audit the financial and economic performance of the Company.

Shareholder/s holding 50% + 1 share of the voting shares of the statutory capital shall have the following rights:

- Incorporating additions and amendments in the Charter of the Company, only as regards raising the statutory capital,
- Rendering decisions with regard to any matter other than those requiring higher level of decision making.

Shareholder/s holding 75% of the voting shares of the statutory capital shall have the following rights:

- Limiting by the Charter the total nominal value, as well as the maximum number of votes pertaining to a given type/class of share to be owned by one shareholder;
- Rendering decisions with regard to approval of the Charter, amendments and additions thereto, as well as adoption of the revised versions of the Charter, liquidation of the Company, formation of a liquidation committee and reorganization.
- Limiting the value of the announced statutory capital.
- Rendering the decision on a large transaction if the property involved in the transaction costs more than 50% of the book value of the Company assets at the time of making the decision,
- Render decisions on liquidation of the Company. The latter stands out for the fact that participation of at least 2/3 of the voting rights of shareholders is required to adopt the decision, where in other cases the General Meeting of shareholders is legally competent under the circumstance that the shareholders who were registered as of the end of registration of participants jointly hold more than 50% of the voting shares of the Company. This means that in rendering the

above decision participation of shareholders in possession of 2/3 of voting shares of the statutory capital is crucial.

- Approving the final, interim and liquidation balance sheets, and appointing a liquidation committee,
- Rendering decisions on reorganization of the Company.
- Render decision on acquisition of shares outstanding, as well as reduction of the statutory capital of the Company by reducing the shares acquired or repurchased by the Company and introducing relevant changes in the Charter to achieve the purpose of decreased nominal value of shares and reduced number of total shares. Participation of shareholders in possession of at least 2/3 of the voting shares of the statutory capital is crucial for adoption of such decision as well.