

PN-ACH-459  
104583

**KYGYZSTAN**  
**DRAFT CHARTERS FOR "NATIONAL GRID,"**  
**"NARYN CASCADE," AND "NORTHELECTRO"**

**NIS Institutional Based Services Under the Energy**  
**Efficiency and Market Reform Project**  
**Contract No. CCN-Q-00-93-00152-00**

**Kyrgyzstan**  
**Delivery Order No. 6**

*Final Report*

*Prepared for:*

U.S Agency for International Development  
Bureau for Europe and NIS  
Office of Environment, Energy and Urban Development  
Energy and Infrastructure Division

*Prepared by:*

Hagler Bailly  
1530 Wilson Boulevard  
Suite 400  
Arlington, VA 22209-2406  
(703) 351-0300

September 1998

---

# CONTENTS

**Table of Contents**

**Executive Summary**

**Appendix A** Charter of "National Grid"

**Appendix B** Charter of "Naryn Cascade"

**Appendix C** Charter of "Northelectro"

---

## EXECUTIVE SUMMARY

The Corporate Charters included in this report provide the legal and institutional framework for the unbundling of the energy industry of Kyrgyzstan and represent a major step forward in the restructuring and reform of the power sector. The draft Charters delineate the rights and responsibilities of the national transmission grid company, a hydroelectric generator and a distribution company. These companies represent the three functional business areas of the new electricity market: transmission, generation, and distribution. While the charters are designed for specific corporations within the Kyrgyz power industry, they can be used as templates for drafting similar legal documents for other energy entities in Kyrgyzstyan.

The charters introduce the concepts of profitability, shareholder rights, corporate checks and balances, and transparency in accounting and reporting. Many of these ideas are new to the Kyrgyz power industry and require explicit definition as provided for in the corporate charters. The charters are designed to allow the new corporate entities to function as free standing business enterprises, directly accountable to their shareholders through a Board of Directors and managed by an executive committee, or "Management Board".

The goal of this task is to prepare the legal and institutional foundation that these companies will need to enter the private sector, whether through privatization to strategic investors or through another privatization vehicle. However, to attract potential investment and investors, these companies must have clearly established legal and operational parameters as well as a corporate structure that meets international standards. By satisfying these criteria, the adoption of these corporate charters will create an environment that is both friendly and familiar to international investors. This will serve to increase the attractiveness of these companies to investors as well as their overall net value to existing shareholders.

---

**APPENDIX A**  
**CHARTER OF "NATIONAL GRID"**

*d*

**CHARTER  
OF  
“NATIONAL GRID”**

ARTICLE 1 -- MAIN PROVISIONS

1.1. A Joint Stock Company by the name of “National Grid” (hereafter referred to as: “the Company”) is founded pursuant to the decision of the General Meeting of shareholders of “Kyrgyzenergo” Joint Stock Company (date) and in accord with legislation of the Kyrgyz Republic.

1.2. No funds shall be allocated in the Republican or local budgets to support the Company, regardless of the size of the State’s block of shares in the Company. The Company shall carry out its activities based on the principles of self-financing in accord with legislation of the Kyrgyz Republic and this Charter.

1.3. The Company is expected to operate on a profit-making basis.

1.4. The Company shall be an open Joint Stock Company.

1.5. The address of the Registered Office of the Company is \_\_\_\_\_. The Registered Office may be transferred to any other place in the Kyrgyz Republic by simple decision of the Board of Directors.

ARTICLE 2. LEGAL STATUS

2.1. The Company shall be a legal entity from the date of its State Registration in accord with procedures set forth in legislation of the Kyrgyz Republic. The Company shall be the legal successor of “Kyrgyzenergo” Joint Stock Company.

2.2. The Company shall own, use and dispose of its property in conformity with its goal, objectives and licensed activities.

2.3. Subject to the limitations of Article 3 of this Charter, the Charter as a whole, and legislation of the Kyrgyz Republic, the Company shall have the powers, including but not limited to:

- 2.3.1. exist in perpetuity until dissolved by the Shareholders;
  - 2.3.2. have a corporate seal with the coat of arms of the Kyrgyz Republic, registered trademark and logo;
  - 2.3.3. issue and sell shares and other securities;
  - 2.3.4. act as a plaintiff or as a defendant in a court of law or participate in arbitration or administrative proceedings, including but not limited to proceedings before the State Energy Agency;
  - 2.3.5. enter into contracts and other legally binding agreements;
  - 2.3.6. acquire, own, use, hold, lease, sell and otherwise dispose of or deal with real and other property in accord with Article 3 of this Charter and undertake all industrial, commercial, financial and real estate transactions directly connected to its main activities;
  - 2.3.7. maintain accounts in banks;
  - 2.3.8. appoint such officers and authorized employees as the business of the Company requires and to provide such officers with suitable compensation;
  - 2.3.9. amend and repeal this Charter or any of its terms in the manner provided by legislation of the Kyrgyz Republic and this Charter;
  - 2.3.10. carry out all activities directly connected with its main activities, on its own, through agents under lease, concession, or contract, or as a participant in joint ventures;
  - 2.3.11. invest and reinvest its funds in carrying out its main activities;
  - 2.3.12. incur liabilities in line with specific powers delegated by the Shareholders;
  - 2.3.13. improve the organization of management, forms and methods of economic activities;
  - 2.3.14. hire employees including managers and change the number of employees taking into account development perspectives of the Company;
  - 2.3.15. prepare long-term forecasts and strategic plans for economic development of the Company;
  - 2.3.16. implement an integrated investment strategy taking into account the general tasks of the Company, as well as the needs for expansion, reconstruction and technical re-equipment;
  - 2.3.17. implement measures of environmental protection;
  - 2.3.18. carry out trade, economic, scientific and technical activities and cooperation with foreign entities;
  - 2.3.19. pursue an integrated policy of social protection of employees;
  - 2.3.20. in order to achieve its goal and objectives, form the reserve funds required by legislation of the Kyrgyz Republic or form other funds necessary to assure sound financial management of the Company.
  - 2.3.21. wind up and dissolve in the manner provided by legislation of the Kyrgyz Republic and this Charter;
- 2.4. The State shall not be responsible for the Company's general liabilities. The Company shall not be responsible for any State liabilities.

### ARTICLE 3 -- GOAL AND MAIN ACTIVITIES

3.1. The goal of the Company shall be to conduct business in the Kyrgyz Republic on a profitable basis by providing wheeling services at economically justified prices and to assure reliability of the Interconnected Power System of the Kyrgyz Republic and viable dispatch of the National Grid under normal, emergency and force majeure conditions.

3.2. The main activities of the Company shall be:

3.2.1. to carry out transmission of electricity pursuant to a license obtained from the State Energy Agency in accord with legislation of the Kyrgyz Republic;

3.2.2. to own the National Grid, assure its reliable operation and maintenance in accord with legislation of the Kyrgyz Republic;

3.2.3. to carry out round-the-clock dispatch of the National Grid;

3.2.4. to assure reliability and safe operation of its energy assets in accord with applicable standards and rules;

3.2.5. in case of emergency, to take measures to assure the safety of the population and the Company's assets and to safeguard the supply of electricity;

3.2.6. to make recommendations on tariffs for electrical energy transmission.

3.3. The Company shall carry out these activities in accord with the following principles:

3.3.1. provide non-discriminatory open access to its facilities for wheeling energy between buyers and sellers;

3.3.2. maintain a safe, reliable and uninterrupted supply of electricity;

3.3.3. adopt management practices that result in continuous improvements in productivity and efficiency and reduction of technical losses;

3.3.4. show respect for the interests and needs of consumers, including their safety;

3.3.5. show respect for the environment.

#### ARTICLE 4 -- SHAREHOLDERS

4.1. A Shareholder of the Company shall be any legal entity or natural person having at least one share.

4.2. If the activity of a Shareholder who is a legal entity ceases or if a Shareholder who is a natural person dies, the rights and duties of ownership of a share shall pass on to their legal successors.

4.3. The Shareholders shall have all the rights granted by the legislation of the Kyrgyz Republic, including but not limited to the following:

4.3.1. to receive dividends from the Company paid in accord with legislation of the Kyrgyz Republic and procedures set by the Company;

4.3.2. to purchase voting shares of the Company on a preferential basis when additional shares are issued in the future. This right shall be limited to the right of being able to maintain the Shareholder's proportional ownership in the Company.

4.3.3. to receive full information on the activity of the Company, including the periodic reports on the financial results of the Company prepared for the Board of Directors, tax authorities and any Annual or Extraordinary General Meetings of Shareholders (hereafter: "General Meeting" unless specified otherwise).

4.3.4. to demand copies of protocols of any General Meeting;

4.3.5. to present their objections, explanations and proposals at any General Meeting;

4.3.6. to demand that the Audit Commission examine without conditions the activity of the Management Board and conduct special audits of the Company, if such Shareholders in total own not less than 10 (ten) percent of the votes;

4.3.7. to demand that the Board of Directors call an Extraordinary General Meeting at any time for any reason, but not earlier than 30 (thirty) days from filing a demand in writing, if such Shareholders in total own not less than 20 (twenty) percent of votes of the General Meeting; and to independently call the General Meeting if, within 20 (twenty) days from filing a demand, the Board of Directors has not called for the Extraordinary General Meeting;

4.3.8. to submit written inquiries to the Management Board, not less than 15 (fifteen) days prior to a General Meeting, on issues included on the agenda of the General Meeting and to demand explanation;

4.3.9. to appeal in court any decisions of the General Meeting and the Board of Directors which do not comply this Charter and legislation of the Kyrgyz Republic ;

4.3.10. to participate in all General Meetings if they have shares with the right to vote;

4.3.11. to entrust their representatives to participate by proxy in a General Meeting; proxies are to be available for such participation, including for repeat meetings called due to the absence of a quorum;

4.3.12. to associate for the purpose of sending a common representative to a General Meeting on the basis of a proxy.

4.4. In case of liquidation of the Company, the Shareholders shall have equal rights to the rest of the Company's assets after final payment and redemption of all debts; they shall be entitled to that part of the remaining assets which is equal to the percentage of their shareholding in the Company.

4.5. The Shareholders shall have the obligations:

4.5.1. to adhere to the founding documents of the Company including this Charter and to all other governing documents of the Company;

4.5.2. not to disclose the commercial secrets and confidential information about the Company's activity which they acquire in their capacity as Shareholders;

4.5.3. to fulfill any other obligations required of them pursuant to legislation of the Kyrgyz Republic.

4.6. The Shareholders shall be financially responsible for the Company's obligations within the limit of their shares, and they shall not be personally responsible for any financial losses, responsibilities, liabilities or obligations of the Company.

4.7. It shall be prohibited to release a Shareholder from the obligation of paying for shares, even as an offset for a claim against the Company.

#### ARTICLE 5. -- CHARTER CAPITAL

5.1. The Charter Capital of the Company shall be established by separating the assets and balances of "Kyrgyzenergo" Joint Stock Company in accord with the decision of the General Meeting of Kyrgyzenergo's shareholders (date).

5.2. The decision adopted by the General Meeting of Kyrgyzenergo's shareholders on break-up of "Kyrgyzenergo" and creation of the Company shall also determine the procedure for exchanging shares of the reorganizing "Kyrgyzenergo" for the shares of the Company.

5.3. Each Shareholder in "Kyrgyzenergo" shall receive the same percent of the Company's shares as the percent of shares he owned in "Kyrgyzenergo" at the time the Company was created.

5.4. The Charter Capital of the Company equals [XXX soms].

5.5. The Charter Capital is divided into [XXX] of nominal and fully issued common shares.

5.6. Each share has a par value of [XXX soms].

5.7. Each common share shall be entitled to one vote.

5.8. The property of the Company shall consist of capital assets and working capital, and other assets, the value of which is reflected on an independent balance sheet.

5.9. The Company's funds shall be formed from:

5.9.1. the Charter Capital;

5.9.2. earnings from its activities and from financial, commercial and investment activities that do not contradict legislation of the Kyrgyz Republic and accord with the Company's goal under Article 3;

5.9.3. loans from banks and other entities.

#### ARTICLE 6. -- INCREASE OF CHARTER CAPITAL

6.1. Upon a decision adopted by the General Meeting, the Company may increase the Charter Capital by issuing additional shares.

6.2. The Company is prohibited from increasing the Charter Capital by issuing shares to cover losses it has suffered in the course of its economic activity.

6.3. In a notice about a forthcoming General Meeting to decide on increasing the Charter Capital, there shall be the following information:

- reasons for, methods and minimal amount of the increase of Charter Capital;
- a draft of the changes to the Charter of the Company connected with the increase in Charter Capital;
- the amount of additionally issued shares and their total value;
- an accounting of previously issued shares and the rights of Shareholders regarding the additionally issued shares;
- dates of beginning and termination of the subscription to the additionally issued shares.

6.4. Upon issuing additional shares or changing the par value of shares, the Company shall perform the necessary State Registration of the issued securities and appropriately amend the Charter.

#### ARTICLE 7. -- DECREASE OF CHARTER CAPITAL

7.1. The Company shall have the right to decrease its Charter Capital on the basis of a decision adopted by a General Meeting by purchasing a portion of its shares in order to cancel them.

7.2. Decrease of Charter Capital is allowed only after all creditors have been notified, personally, in writing. In this case, creditors have the right to demand early termination or fulfillment of corresponding obligations and compensation for related losses.

7.3. Decrease of Charter Capital in violation of the procedure set forth in this Article shall be a basis for liquidation of the Company pursuant to a court decision at the request of interested parties.

ARTICLE 8 -- SECURITIES

8.1. The Company initially shall issue shares in an amount equal to its Charter Capital and shall register them according to the procedure envisaged by legislation of the Kyrgyz Republic.

8.2. The Shareholders shall have the right to dispose of their shares in any way without any restrictions.

8.3. A share is a security of the Company which certifies proportional ownership of a Shareholder in the Company and his right to a part of the Charter Capital of the Company.

8.4. All shares of the Company shall be registered name shares.

Movements of registered shares shall be recorded in the Register of Shareholders which is maintained in accord with Article 9 of this Charter.

8.5. A transfer of shares does not need the agreement of the Company.

8.6. Shares may be sold directly or through financial establishments.

8.7. Shares of the Company shall be indivisible. If one and the same share belongs to a grouping of several legal entities and/or natural persons, the Company shall recognize such grouping as a whole as one Shareholder.

8.8. Shares issued but not sold or shares purchased back by the Company shall not be taken into account for the determination of the quorum at the General Meeting or for voting at the General Meeting.

Such shares shall be subject to distribution or cancellation within one year from issue or repurchase.

8.9. The Company shall have the right to issue (place) bonds and other securities as set forth in legislation of the Kyrgyz Republic and normative acts on securities.

8.10. In order to raise additional capital, the Company shall have the right to issue bonds for a sum which does not exceed its Charter Capital.

8.11. Bonds are securities issued by the Company which establish the right of the holder to obtain redemption of its nominal value from the Company during the established period and to receive annual income as a fixed percentage of the nominal value. Bonds shall not bestow the right to vote at the General Meeting.

The Company shall be fully responsible for repayment of bonds and payment of interest on them, which is set at the time the bonds are issued, as well as for observation of other terms of the bond.

8.12. Bonds must provide the following information:

- firm name and location of the Company;
- number of the class and ordinary number of the bond;
- nominal value;
- term and procedures of clearing;
- amount of payable interest (for interest-bearing bonds);
- name of the holder;
- signatures (facsimile) of the Chairman of the Board of Directors or Authorized Officer of the Company.

#### ARTICLE 9 -- REGISTER OF SHAREHOLDERS

9.1. The Company shall be obligated to ensure maintenance of the Register of Shareholders and storage of the Register of Shareholders in strict compliance with legislation no later than 1(one) month from the State Registration of the Company.

9.2. All movements of a share shall be recorded in the Register of Shareholders which shall be maintained by a Licensed Independent Registrar. In the Registry of Shareholders there must be entered facts on each named share, the date of acquisition, the number of such shares held by each Shareholder, and the recording of each Shareholder's particulars (location and settlement account for legal entities and passport data and place of residence for individuals). Particulars of individuals who notify the Company that they have pledge rights to shares in accord with legislation of the Kyrgyz Republic shall also be included in the Register of Shareholders, with an indication whether the pledge holder has the rights to vote such shares.

9.3. The Register of Shareholders may contain other data provided by legislation of the Kyrgyz Republic on securities, including data on persons who hold the shares and perform transactions with them in the interest of the Shareholders. Data on issued shares owned by the Company must be included in the Register of Shareholders.

9.4. The Management Board shall be obligated to store the Register of Shareholders at the location of the Licensed Independent Registrar, and to provide Shareholders and pledges the

opportunity to review it. Only the Licensed Independent Registrar may enter changes or have custody of the registry.

9.5. The Licensed Independent Registrar must make extracts from the Register of Shareholders and provide them upon demand to Shareholders or pledges to confirm their share ownership.

The Extract shall provide the following information:

- Name of the registered Shareholder;
- Date at which the Extract is issued, proving the respective ownership of shares;
- The official name of the Company;
- Name of State Agency which registered the Company;
- State Registration of shares with the National Securities Commission;
- Official name and legal address of the Registrar;
- Official name of the bank which is the paying agent for the Company;
- Number of shares of the Shareholder.

9.6. Entry of a record into the Register of Shareholders shall be made no less than 3 (three) days from the submission of documents required by legislation of the Kyrgyz Republic.

9.7. In case it refuses a request to enter a record into the Register of Shareholders, the Licensed Independent Registrar shall send, within 5 (five) days of the date of the request, an explanatory notice about its refusal to the person who requested the entry of the record.

A refusal to enter a record into the Register of Shareholders may be appealed to the Audit Commission of the Company, the National Securities Commission or to a court. The Licensed Independent Registrar must, within 2 (two) days of receipt of a decision by one of these bodies, enter the appropriate record into the Register of the Shareholders.

## ARTICLE 10 -- ORGANIZATIONAL BODIES OF THE COMPANY

10.1. The following shall be the bodies of the Company:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board;
- Audit Commission.

## ARTICLE 11 -- GENERAL MEETING OF SHAREHOLDERS

11.1. The General Meeting shall be the highest decision making body; it shall have the right to decide all matters related to the activity of the Company.

11.2. The General Meeting is called by the Board of Directors regularly, but not less than once a year on the last Tuesday of the month of April at 10 (ten) a.m. at the Company unless otherwise decided by the Board of Directors indicated in the notice calling the General Meeting.

11.3. Extraordinary General Meetings shall be called by the Board of Directors: upon initiative of the Board of Directors, the Management Board, the Audit Commission, or by written demand of Shareholders representing 20 (twenty) percent of the votes, whose petition shall spell out the reasons to call the Extraordinary General Meeting and the proposed agenda.

Extraordinary Meetings shall be called:

11.3.1. if there is a danger of insolvency of the Company or of a significant decrease of more than 50 (fifty) percent of the Charter Capital;

11.3.2. in case of significant changes in the legal and economic conditions of the Company requiring change of this Charter and other extraordinary measures;

11.3.3. in order to solve issues of necessary increases of the Charter Capital by more than by 25 (twenty-five) percent in the period between regular sessions of the General Meeting;

11.3.4. in other cases if the interests of the Company on the whole require so.

11.4 The following issues are the exclusive jurisdiction of the General Meeting:

11.4.1. amendments to the charter;

11.4.2. changes (increase or decrease ) in the size of the Company's Charter Capital;

11.4.3. consolidation and splitting of issued shares and issuance of additional shares;

11.4.4. reorganization or liquidation of the Company, appointment of the Liquidation committee and ratification of the liquidation balance sheet;

11.4.5. procedures of issuance of corporate bonds;

11.4.6. election of members of the Board of Directors and the Audit Commission, as well as determination of their fees and early termination of their powers;

11.4.7. approval of the procedure of distribution of profit and of coverage of losses;

11.4.8. approval of annual results of the Company's activities, of reports of the Company's executive bodies and of statements of the Audit Commission;

11.4.9. decisions on issues of items 11.4.1., 11.4.2., 11.4.3., and 11.4.4. shall be adopted by at least 2/3 (two-thirds) of the total number of votes of Shareholders; decisions on issues of items 11.4.5., 11.4.6. and 11.4.7. shall be adopted by at least 2/3 (two-thirds) of the votes of Shareholders or their representatives present at the General Meeting; decisions on issues of item

11.4.8. shall be adopted by a simple majority vote of Shareholders or their representatives present at the General Meeting.

11.5. The Annual General Meeting of Shareholders shall ratify the reports of the Board of Directors, the Management Board and the Audit Commission, the annual balance sheet, and the income statement.

11.6. The following types of transactions shall also be within the exclusive competence of the General Meeting of Shareholders:

11.6.1. a transformation of the Company into a legal entity of another type;

11.6.2. a sale of assets, directly or through subsidiaries, equal to at least 20 (twenty) percent of the book value of the Company's fixed assets;

11.6.3. a purchase of assets or another transaction that will result in the Company owning, directly or through subsidiaries, additional assets equal to at least 20 (twenty) percent of the book value of the Company's assets;

11.6.4. the book value calculated in 11.6.2. and 11.6.3. above shall be adjusted for inflation.

11.7. Decisions on issues which this Charter refers to the exclusive jurisdiction of the General Meeting cannot be delegated to executive bodies of the Company.

11.8. The Company will send to the address indicated in the Registry of Shareholders an individual notice about a forth-coming General Meeting to all Shareholders, to the members of the Audit Commission of the Company, and to the Licensed Independent Registrar of the Company.

In addition, a public notice about a forth-coming General Meeting must be published 3 (three) times in each nationally or locally distributed newspaper or newsmagazine which has or pretends to have at least 1,000 copies printed of its edition.

Such public notice must indicate the time and place of the General Meeting and the agenda.

A notice for an Extraordinary General Meeting must contain an explanation of the issues to be discussed.

11.9. Notice shall be made not later than 20 (twenty) days before a General Meeting. A General Meeting shall not adopt decisions on issues which are not included on the agenda unless a decision on such an issue is adopted by unanimous vote of all Shareholders present or represented at the General Meeting.

If the 20 (twenty) day period is not respected or if a Notice was not sent or published, decisions of the General Meeting shall not have legal force unless they are adopted unanimously.

11.10. A General Meeting shall be considered to be valid if Shareholders or their representatives holding more than 60 (sixty) percent of the total voting shares of the Company have registered with the Registration Commission at the time it finishes registering attendance.

In case there is no quorum at a General Meeting, the Board of Directors shall call another General Meeting of Shareholders within one month that will have authority to adopt decisions if Shareholders or their representatives holding over 40 (forty) percent of the total voting shares participate in it.

11.11. Voting at a General Meeting shall be conducted on the principle of 'one share -- one vote.' However, election of members of the Board of Directors shall be by cumulative voting. The number of votes of each Shareholder is equal to the number of shares he holds multiplied by the number of places on the Board, and the shareholder has the right to distribute all such votes in any way.

Every Shareholder shall have the right to attend any General Meeting personally or through a representative with a power of attorney or proxy prepared and used as described in Article 12 of this Charter and in compliance with the requirements of legislation of the Kyrgyz Republic.

#### ARTICLE 12 -- PROXY RULES

12.1. Shareholders may cast their votes either personally or by written proxy. Any proxy shall state the proposals to be voted upon, with provisions to allow the Shareholder to vote yes, no or to abstain.

12.2. The proxy may not be open-ended and may not leave any discretion to the proxy holder, except to decide upon matters incidental to the conduct of the General Meeting.

12.3. Proxies are valid only for one General Meeting and must be revocable. Any other means of ceding voting rights are prohibited.

12.4. At the date, time and place of the convened General Meeting, all duly appointed Shareholder representatives must show to the Registration Commission original proxy documents signed by the registered Shareholder or the Shareholder's duly authorized representative if the Shareholder is a legal entity.

12.5. Appointed representatives shall exercise their voting rights in the manner specified in the proxy. The Registration Commission shall be responsible for ensuring compliance. Votes exercised by proxy shall be kept confidential.

#### ARTICLE 13 -- PREFERRED SHARES

13.1. The Company shall not issue preferred shares.

## ARTICLE 14 -- BOARD OF DIRECTORS

14.1. The Board of Directors shall be the highest supervisory body of the Company during the periods between General Meetings.

14.2. The Board of Directors shall have the right to make decisions on all issues within its jurisdiction as provided by this Charter.

14.3. The Board of Directors shall consist of no less than 7 (seven) and no more than 11 (eleven) members, half of whom are elected at each Annual General Meeting.

14.4. The Board of Directors exercises supervision over the activity of management; authorizes agreements with significant economic liability, collateral agreements, and commission agreements; decides issues of acquisition by the Company of its own shares; determines the terms of compensation for the officers of the Company, and implements other functions set forth in this Charter.

The Board of Directors shall have the following exclusive authorities:

14.4.1. to identify the strategic areas of development for the Company, to adopt strategic plans and reports for implementation, and to approve major construction projects;

14.4.2. to adopt Provisions on the Management Board of the Company, its structure and its membership, including fixed terms of office, if any;

14.4.3. to oversee the performance of the Management Board of the Company;

14.4.4. to adopt normative documents which regulate the internal procedures of Board of Directors and the Management Board;

14.4.5. to execute Performance Agreements with the State Energy Agency, as defined in the Energy Law of the Kyrgyz Republic of October 30, 1996;

14.4.6. to approve provisions on incentive systems for the Management Board and division managers of the Company based on Performance Agreements;

14.4.7. to appoint Members of the Management Board.

14.5. The Board of Directors shall have no right to interfere with the ordinary operational activity of the Management Board.

14.6. Members of the Board of Directors do not have the right to act on behalf of the Company.

14.7. The Board of Directors shall review reports, financial statements, and audits, before submitting the Annual Report for Shareholders' approval at the Annual General Meeting.

The Board of Directors may not withhold from Shareholders any material information concerning the Company.

14.8. The Board of Directors shall have the right to obtain any information on the Company's activity.

The Board of Directors may order members of the Management Board, Company officials and members of the Audit Commission to appear in front of the Board of Directors for hearings or to present reports.

The Board of Directors may order the Audit Commission to conduct specific inquiries.

14.9. The Board of Directors may organize a commission of experts to conduct independent examinations of or provide advice on the most important projects, programs and significant strategic decisions.

14.10. The Board of Directors may organize working commissions made up of its Members to deal specifically with remuneration of top executives and nominate candidates for election to the Board of Directors by the General Meeting.

14.11. Issues referred by this Charter to the exclusive jurisdiction of the Board of Directors cannot be delegated to executive bodies, legal entities or institutions.

14.12. The Chairman of the Board of Directors shall be elected by the General Meeting.

The Chairman of the Board of Directors may:

14.12.1. delegate his authorities to a Member of the Board of Directors when absent;

14.12.2. represent the Company in international organizations and within the country;

14.12.3. sign resolutions that have been adopted by the Board of Directors;

14.12.4. sign orders, instructions and decrees related to activities of the Board of Directors;

14.12.5. nominate candidates for the position of the Chairman of the Management Board and for the Management Board.

14.13. No Member of the Board of Directors may also serve on the Management Board or the Audit Commission.

14.14. Every Member of the Board of Directors shall be free of any commercial interest or relationship which would interfere with the exercise of his independent judgment.

14.15. Members of the Board of Directors shall have no right to exercise in their own interests property or non-property rights of the Company.

14.16. While carrying out their responsibilities, Members of the Board of Directors shall have no right to establish, take part in, or have a financial interest in the work of any enterprise which competes with or supplies the Company.

14.17. Meetings of the Board of Directors shall be held at least every 2 (two) months and shall be considered valid when at least 2/3 (two-thirds) of its Members are present.

14.18. All Members of the Board of Directors must be notified of any Meeting of the Board in writing at least 3 (three) days in advance of the meeting. The notice shall comprise the agenda of the forthcoming meeting, and all the necessary documents connected with the agenda shall be attached.

14.19. A meeting of the Board of Directors may be convened at the discretion of the Chairman of the Board of Directors or at the demand not less than 1/3 (one-third) of the Members of the Board of Directors.

14.20. The decisions of the Board of Directors shall be adopted by a simple majority of vote, unless legislation of the Kyrgyz Republic or this Charter requires otherwise. In case of a tie vote, the Chairman of the Board of Directors shall be entitled to the decisive vote.

14.21. Minutes of all the meetings of the Board of Directors shall be kept in accord with established procedures. All the minutes must be signed by the Chairman of the Board of Directors and the Responsible Secretary of the Board of Directors or the persons substituting for them at meetings.

14.22. A vacancy on the Board of Directors may be filled by a resolution of the remaining Members until a General Meeting is held.

#### ARTICLE 15 -- MANAGEMENT BOARD

15.1. The executive body of the Company is the Management Board headed by the Chairman of the Management Board.

15.2. Between General Meetings, the Management Board conducts all activities of the Company within the limits of its jurisdiction as set forth in this Charter.

The Management Board shall have the jurisdiction to decide all issues which have not been placed within the exclusive jurisdiction of other management bodies as determined by legislation of the Kyrgyz Republic or by this Charter.

15.3. The Management Board shall be the body authorized to manage the property that is in the Company's jurisdiction. The Management Board shall carry out the operational management of the Company. The Management Board shall carry out its activity in accord with legislation of the Kyrgyz Republic, the provisions of this Charter, internal regulations and the decisions of the Board of Directors.

15.4. The Management Board shall be responsible to the Board of Directors and can be terminated by the Board of Directors.

15.5. Members of the Management Board shall be appointed by the Board of Directors at General Meetings.

15.6. No member of the Management Board shall simultaneously be a member of either the Board of Directors or the Audit Commission.

15.7. In case one or more Members of the Management Board shall be unable to fulfill the functions delegated to them, the Board of Directors shall appoint Substitute Members.

15.8. The remuneration for Members of the Management Board shall be determined by the Board of Directors.

15.9. Every year, the Management Board shall prepare an Annual Report, an annual balance sheet, and an income statement 30 (thirty) days before the date of the Annual General Meeting and shall make these documents available to the Board of Directors.

The Annual Report, the annual balance sheet, and the income statement must be signed by all Members of the Management Board and all Members of the Board of Directors. In case any signature is absent, a corresponding note shall be made which justifies such absence.

After obtaining these signatures, the Secretariat of the Board of Directors shall make these documents available to Shareholders 20 (twenty) days before the date of the Annual General Meeting.

15.10. The Management Board has the right:

15.10.1. to set the management policies for operation of the high voltage transmission lines and dispatching of electric energy in an economically efficient way;

15.10.2. to determine the forms and methods of management;

15.10.3. to effect payments to the budget and mutual settlements with the Unified Dispatch Center of Central Asia.

15.11. The Management Board shall decide on the issues of wages and bonuses for employees.

15.12. The Management Board shall negotiate Performance Agreements with the State Energy Agency, as defined in the Energy Law of the Kyrgyz Republic of October 30, 1996 and present them to the Board of Directors for execution.

## ARTICLE 16 -- CHAIRMAN OF THE MANAGEMENT BOARD

- 16.1. The Chairman of the Management Board shall be appointed by the Board of Directors.
- 16.2. The Chairman of the Management Board shall coordinate the management activities of the Management Board.
- 16.3. The Chairman of the Management Board shall carry out his activity in strict accord with legislation of the Kyrgyz Republic, this Charter, internal regulations and the resolutions of the Board of Directors.
- 16.4. The Chairman of the Management Board shall submit the structure of the Management Board for approval to the Board of Directors.
- 16.5. The Chairman of the Management Board shall determine the staff of employees and the conditions of their hiring and dismissal.

#### ARTICLE 17 -- SECRETARIAT OF THE BOARD OF DIRECTORS

- 17.1. To organize the work of the Board of Directors, a Secretariat of the Board shall be created.
- 17.2. The Secretariat shall keep the following records on file as well as others:
- 17.2.1. this Charter, normative documents and acts regulating the relations within the Company;
  - 17.2.2. the list of persons having powers of attorney to represent the Company;
  - 17.2.3. the minutes of the meetings of the General Meeting, Board of Directors and Management Board.
- 17.3. Under the supervision of the Board of Directors, the Secretariat shall perform any necessary updating of registrations and other legally required tasks.

#### ARTICLE 18 -- AUDIT COMMISSION

- 18.1. The Audit Commission shall be elected by the General Meeting for the purpose of assuming control over the financial and business activity of the Company.
- The procedure for auditing the activity of the Company is determined by legislation of the Kyrgyz Republic and by this Charter. Upon demand by the Audit Commission, officials of the Company shall be obligated to provide the Company's financial and business activity documents.

18.2. No member of the Board of Directors or the Management Board shall simultaneously be a member of the Audit Commission.

18.3. An audit of the financial and business activity of the Company shall be performed annually, or at any time upon the initiative of the Audit Commission, the General Meeting, the Board of Directors or at the demand of Shareholders holding in total at least 10 (ten) percent of the voting shares.

18.4. The Company may hire a reputable professional auditor who has no property interest in the Company (an independent auditor) to audit and verify the accuracy of the financial reports.

18.5. The Board of Directors cannot approve the Company's financial statements for submission to the General Meeting unless the Audit Commission's conclusions are included.

18.6. The Audit Commission has responsibility for the audit report and cannot delegate this responsibility.

18.7. The Audit Commission may demand an Extraordinary General Meeting of the Shareholders or of the Board of Directors if its investigations reveal a threat to the interests of the Company or abuses or misconduct on the part of Company officials.

18.8. The Company covers the expenses of the Audit Commission in the amount approved by the Board of Directors.

18.9. The Company shall also create and maintain an internal auditing function on a full range of business activities. The internal auditors shall submit their reports to both the Audit Commission and the Management Board.

#### ARTICLE 19 -- PROVISIONS APPLICABLE TO ALL OFFICERS AND OFFICIALS OF THE COMPANY

19.1. The Officers of the Company are the Members of the Management Board, of the Audit Commission, and of the Board of Directors.

19.2. The Officers of the Company must act in the interests of the Shareholders.

19.3. No Officer or official of the Company shall take advantage of any business opportunity falling within the sphere of the Company's goal and activities without observance of the stipulations of this Article.

19.4. If an Officer or official has a financial interest in a transaction entered into by the Company, he must:

- 1) inform the Management Board and the Board of Directors in writing;
- 2) obtain written permission from a majority of both the Board of Directors and the Management Board before engaging in such a transaction.

19.5. For the purpose of this Charter, financial interest shall mean in particular the following:

- 1) when the Officer or official is an owner or creditor of, or has an employment relationship with a major supplier of goods or services to the Company or when he is a major buyer or recipient of goods or services produced or provided by the Company;
- 2) when the Officer or official is an owner or creditor of, or has an employment relationship with a physical or legal entity which either has been fully or partially created from assets of the Company or which has the right to receive profit from managing the property of the Company.

19.6. Officers and officials of the Company must not allow use of property or property rights of the Company for purposes which contradict decisions of the General Meeting or of the Board of Directors.

19.7. Officers and officials of the Company must refrain from founding or participating in any form of activity which competes with the Company, except in cases when this competition shall have been directly allowed in writing by the majority of non-interested members of the Board of Directors or of non-interested Shareholders representing more than half of the Company's Charter Capital.

## ARTICLE 20 -- ACCOUNTING AND REPORTING

20.1. The Company shall keep operational and accounting records as well as statistical accounts and shall submit those required by legislation of the Kyrgyz Republic to the relevant state authorities in accord with the established procedures.

20.2. The fiscal year shall begin at the date of the Company's registration with the State and shall end on the 31st day of December of the same calendar year. The subsequent fiscal years shall correspond to the calendar year.

20.3. The Company's accounting activities shall be exercised in conformity with the goal and objectives of the Company.

20.4. The Company must keep separate accounts for each of its major activities: transmission of electricity and dispatching of the National Grid.

20.5. The organization of an effective system for book-keeping, accounting and reporting shall be established by the Management Board in accord with legislation of the Kyrgyz Republic and must be kept current.

20.6. The Chairman of the Management Board and the Chief Accountant shall be personally responsible for the maintenance and accuracy of the accounting system and the accounting.

#### ARTICLE 21 -- DISTRIBUTION OF PROFITS

21.1. The gross and net profit of the Company shall be determined in accord with procedures set forth in the relevant legislation of the Kyrgyz Republic.

21.2. The net profit of the company (after payment of all taxes) shall remain at the disposal of the Company and shall be distributed periodically to shareholders as dividends, transferred to the reserve fund, or kept as retained earnings and used for development of production activities or other purposes, as decided by the General Meeting.

In accord with the foregoing, any distribution of profit may occur only after adoption or approval by the General Meeting of the audited Annual Report, balance sheet, and income statement which shall confirm the amount of profit, using International Accounting Standards, and that such distribution is authorized.

Any distribution of profits in violation of provisions of this Article must be refunded by the Shareholders.

21.3. A dividend is a portion of the Company's net profit distributed to Shareholders in proportion to the number of shares he owns. The final amount of dividend for each common share shall be proposed by the Management Board to the Board of Directors and approved by the General Meeting. A dividend may not be more than that recommended by the Management Board, but it may be reduced by a General Meeting. The Company must pay out as dividends at least 25 (twenty five) percent of profits retained by the Company, in accord with legislation of the Kyrgyz Republic.

21.4. The Company shall not be allowed to declare and pay a dividend if payment of dividends will decrease the Charter Capital.

21.5. Dividends shall not be paid on unissued shares, shares issued but not sold or shares purchased back by the Company.

21.6. Payment of dividends shall be paid out by a bank-agent or by the Company itself in accord with legislation of the Kyrgyz Republic.

21.7. The Company shall declare the amount of dividend without subtraction of any taxes. However, the Company or bank-agent shall act as state tax-collecting agent and withhold the corresponding taxes from any dividends to Shareholders in accord with the Tax Code of the Kyrgyz Republic.

21.8. Dividends may be paid out in various methods: cash, check, payment order, or postal order.

Shares acquired at least 30 (thirty) days before the officially declared payment date shall be entitled to dividends.

21.9. The Company shall establish a Reserve Fund for general purposes pursuant to Article 3 of this Charter, for an amount not less than 20 (twenty) percent of the Charter Capital.

21.10. Payments to the Reserve Fund must equal or exceed 5 (five) percent of the annual net profit of the Company until such time as the Reserve Fund equals not less than 20 (twenty) percent of the Charter Capital. If within 5 years after the establishment of the Company the Reserve Fund does not equal 20 (twenty) percent of the Charter Capital, payment to the Reserve Fund shall increase to 10 (ten) percent of the annual net profit of the Company until the minimum reserve requirement is satisfied.

21.11. The amount of payments in any specific year to the Reserve Fund shall be determined by a General Meeting.

## ARTICLE 22 -- REORGANIZATION

22.1. Reorganization of the Company (merger, consolidation, break-up, spin-off, and transformation) shall be carried out in accord with the Civil Code and other relevant legislation of the Kyrgyz Republic.

22.2. In a break-up or spin-off, the organizational-legal form of all legal successors shall be the same as the parent Company's before adoption of the reorganization decision.

22.3. A decision on reorganization of the Company shall be adopted by a General Meeting, which shall also determine the procedure and time periods of the reorganization. If the reorganization is the result of a judicial decision, reorganization shall follow procedures set forth in legislation of the Kyrgyz Republic.

22.4. No types of reorganizations of the Company shall be carried out earlier than 2 (two) months from the date of publication of a notice in the press in accord with provisions in Article 11. Creditors shall have the right, within three months after the reorganization, to make a demand for early termination or execution of respective obligations and reimbursement for

damages caused to them by the Company.

22.5. In a reorganization of the Company, common shares cannot be exchanged for other property or property rights, other than common shares in a new, merged, spun off, or successor company.

#### ARTICLE 23 -- LIQUIDATION OF THE COMPANY

23.1. The Company may be liquidated:

- 1) by a decision adopted by the General Meeting;
- 2) by a court decision in accord with the Kyrgyz Republic.

23.2. If the residual assets of the Company after liquidation are insufficient to compensate each shareholder for the par value of his shares, they shall be distributed to Shareholders in proportion to the par value of the shares held.

#### ARTICLE 24 -- GENERAL PROVISIONS

24.1 If one of the provisions of this Charter becomes invalid, it does not affect the rest of the provisions.

24.2. Invalid provisions can be replaced, by amendment in the manner provided for in this Charter, with provisions that accord with legislation of the Kyrgyz Republic and are close to the original intent.

---

**APPENDIX B**  
**CHARTER OF "NARYN CASCADE"**

**CHARTER  
OF  
"NARYN CASCADE"**

ARTICLE 1 -- MAIN PROVISIONS

1.1. A Joint Stock Company by the name of "Naryn Cascade" (hereafter referred to as: "the Company") is founded pursuant to the decision of the General Meeting of shareholders of "Kyrgyzenergo" Joint Stock Company (date) and in accord with legislation of the Kyrgyz Republic.

1.2. No funds shall be allocated in the Republican or local budgets to support the Company, regardless of the size of the State's block of shares in the Company. The Company shall carry out its activities based on the principles of self-financing in accord with legislation of the Kyrgyz Republic and this Charter.

1.3. The Company is expected to operate on a profit-making basis.

1.4. The Company shall be an open Joint Stock Company.

1.5. The address of the Registered Office of the Company is \_\_\_\_\_. The Registered Office may be transferred to any other place in the Kyrgyz Republic by simple decision of the Board of Directors.

ARTICLE 2. LEGAL STATUS

2.1. The Company shall be a legal entity from the date of its State Registration in accord with procedures set forth in legislation of the Kyrgyz Republic.

2.2. The Company shall own, use and dispose of its property in conformity with its goal, objectives and licensed activities.

2.3. Subject to the limitations of Article 3 of this Charter, the Charter as a whole, and legislation of the Kyrgyz Republic, the Company shall have the powers, including but not limited to:

2.3.1. exist in perpetuity until dissolved by the Shareholders;

- 2.3.2 have a corporate seal with the coat of arms of the Kyrgyz Republic, registered trademark and logo;
  - 2.3.3. issue and sell shares and other securities;
  - 2.3.4. act as a plaintiff or as a defendant in a court of law or participate in arbitration or administrative proceedings, including but not limited to proceedings before the State Energy Agency;
  - 2.3.5. enter into contracts and other legally binding agreements;
  - 2.3.6. acquire, own, use, hold, lease, sell and otherwise dispose of or deal with real and other property in accord with Article 3 of this Charter and undertake all industrial, commercial, financial and real estate transactions directly connected to its main activities;
  - 2.3.7. maintain accounts in banks;
  - 2.3.8. appoint such officers and authorized employees as the business of the Company requires and to provide such officers with suitable compensation;
  - 2.3.9. amend and repeal this Charter or any of its terms in the manner provided by legislation of the Kyrgyz Republic and this Charter;
  - 2.3.10. carry out all activities directly connected with its main activities, on its own, through agents under lease, concession, or contract, or as a participant in joint ventures;
  - 2.3.11. invest and reinvest its funds in carrying out its main activities;
  - 2.3.12. incur liabilities in line with specific powers delegated by the Shareholders;
  - 2.3.13. improve the organization of management, forms and methods of economic activities;
  - 2.3.14. hire employees including managers and change the number of employees taking into account development perspectives of the Company;
  - 2.3.15. prepare long-term forecasts and strategic plans for economic development of the Company;
  - 2.3.16. implement an integrated investment strategy taking into account the general tasks of the Company, as well as the needs for expansion, reconstruction and technical re-equipment;
  - 2.3.17. implement measures of environmental protection;
  - 2.3.18. carry out trade, economic, scientific and technical activities and cooperation with foreign entities;
  - 2.3.19. pursue an integrated policy of social protection of employees;
  - 2.3.20. in order to achieve its goal and objectives, form the reserve funds required by legislation of the Kyrgyz Republic or form other funds necessary to assure sound financial management of the Company.
  - 2.3.21. wind up and dissolve in the manner provided by legislation of the Kyrgyz Republic and this Charter;
- 2.4. The State shall not be responsible for the Company's general liabilities. The Company shall not be responsible for any State liabilities.

### ARTICLE 3 -- GOAL AND MAIN ACTIVITIES

3.1. The goal of the Company shall be to conduct business in the Kyrgyz Republic on a profitable basis by generating electrical energy and selling it at economically justified prices.

3.2. The main activities of the Company shall be:

3.2.1. to carry out generation and sale of electricity pursuant to licenses obtained in accord with legislation of the Kyrgyz Republic;

3.2.2. in case of emergency, to take measures to assure the safety of the population and the Company's assets and to safeguard the supply of electricity;

3.2.3. to assure reliability and safe operation of its energy assets in accord with applicable standards and rules;

3.2.4. to make recommendations on tariffs for the sale of bulk power;

3.2.5. to carry out other activities directly related to the Company's goal and allowed by legislation of the Kyrgyz Republic.

3.3. The Company shall carry out these activities in accord with the following principles:

3.3.1. maintain a safe, reliable and uninterrupted supply of electricity;

3.3.2. adopt management practices that result in continuous improvements in productivity and efficiency and reduction of technical losses;

3.3.3. show respect for the interests and needs of consumers, including their safety;

3.3.4. provide continuous improvements in reliability and quality of service to consumers at fair prices;

3.3.5. show respect for the environment.

#### ARTICLE 4 -- SHAREHOLDERS

4.1. A Shareholder of the Company shall be any legal entity or natural person having at least one share.

4.2. If the activity of a Shareholder who is a legal entity ceases or if a Shareholder who is a natural person dies, the rights and duties of ownership of a share shall pass on to their legal successors.

4.3. The Shareholders shall have all the rights granted by the legislation of the Kyrgyz Republic, including but not limited to the following:

4.3.1. to receive dividends from the Company paid in accord with legislation of the Kyrgyz Republic and procedures set by the Company;

4.3.2. to purchase voting shares of the Company on a preferential basis when additional shares are issued in the future. This right shall be limited to the right of being able to maintain the Shareholder's proportional ownership in the Company.

4.3.3. to receive full information on the activity of the Company, including the periodic reports on the financial results of the Company prepared for the Board of Directors, tax authorities and any Annual or Extraordinary General Meetings of Shareholders (hereafter: "General Meeting" unless specified otherwise).

4.3.4. to demand copies of protocols of any General Meeting;

4.3.5. to present their objections, explanations and proposals at any General Meeting;

4.3.6. to demand that the Audit Commission examine without conditions the activity of the Management Board and conduct special audits of the Company, if such Shareholders in total own not less than 10 (ten) percent of the votes;

4.3.7. to demand that the Board of Directors call an Extraordinary General Meeting at any time for any reason, but not earlier than 30 (thirty) days from filing a demand in writing, if such Shareholders in total own not less than 20 (twenty) percent of votes of the General Meeting; and to independently call the General Meeting if, within 20 (twenty) days from filing a demand, the Board of Directors has not called for the Extraordinary General Meeting;

4.3.8. to submit written inquiries to the Management Board, not less than 15 (fifteen) days prior to a General Meeting, on issues included on the agenda of the General Meeting and to demand explanation;

4.3.9. to appeal in court any decisions of the General Meeting and the Board of Directors which do not comply this Charter and legislation of the Kyrgyz Republic ;

4.3.10. to participate in all General Meetings if they have shares with the right to vote;

4.3.11. to entrust their representatives to participate by proxy in a General Meeting; proxies are to be available for such participation, including for repeat meetings called due to the absence of a quorum;

4.3.12. to associate for the purpose of sending a common representative to a General Meeting on the basis of a proxy.

4.4. In case of liquidation of the Company, the Shareholders shall have equal rights to the rest of the Company's assets after final payment and redemption of all debts; they shall be entitled to that part of the remaining assets which is equal to the percentage of their shareholding in the Company.

4.5. The Shareholders shall have the obligations:

4.5.1. to adhere to the founding documents of the Company including this Charter and to all other governing documents of the Company;

4.5.2. not to disclose the commercial secrets and confidential information about the Company's activity which they acquire in their capacity as Shareholders;

4.5.3. to fulfill any other obligations required of them pursuant to legislation of the Kyrgyz Republic.

4.6. The Shareholders shall be financially responsible for the Company's obligations within the limit of their shares, and they shall not be personally responsible for any financial losses, responsibilities, liabilities or obligations of the Company.

4.7. It shall be prohibited to release a Shareholder from the obligation of paying for shares, even as an offset for a claim against the Company.

#### ARTICLE 5. -- CHARTER CAPITAL

5.1. The Charter Capital of the Company shall be established by separating the assets and balances of "Kyrgyzenergo" Joint Stock Company in accord with the decision of the General Meeting of Kyrgyzenergo's shareholders (date).

5.2. The decision adopted by the General Meeting of Kyrgyzenergo's shareholders on break-up of "Kyrgyzenergo" and creation of the Company shall also determine the procedure for exchanging shares of the reorganizing "Kyrgyzenergo" for the shares of the Company.

5.3. Each Shareholder in "Kyrgyzenergo" shall receive the same percent of the Company's shares as the percent of shares he owned in "Kyrgyzenergo" at the time the Company was created.

5.4. The Charter Capital of the Company equals [XXX soms].

5.5. The Charter Capital is divided into [XXX] of nominal and fully issued common shares.

5.6. Each share has a par value of [XXX soms].

5.7. Each common share shall be entitled to one vote.

5.8. The property of the Company shall consist of capital assets and working capital, and other assets, the value of which is reflected on an independent balance sheet.

5.9. The Company's funds shall be formed from:

5.9.1. the Charter Capital;

5.9.2. earnings from its activities and from financial, commercial and investment activities that do not contradict legislation of the Kyrgyz Republic and accord with the Company's goal under Article 3;

5.9.3. loans from banks and other entities.

#### ARTICLE 6. -- INCREASE OF CHARTER CAPITAL

6.1. Upon a decision adopted by the General Meeting, the Company may increase the Charter Capital by issuing additional shares.

6.2. The Company is prohibited from increasing the Charter Capital by issuing shares to cover losses it has suffered in the course of its economic activity.

6.3. In a notice about a forthcoming General Meeting to decide on increasing the Charter Capital, there shall be the following information:

- reasons for, methods and minimal amount of the increase of Charter Capital;
- a draft of the changes to the Charter of the Company connected with the increase in Charter Capital;
- the amount of additionally issued shares and their total value;
- an accounting of previously issued shares and the rights of Shareholders regarding the additionally issued shares;
- dates of beginning and termination of the subscription to the additionally issued shares.

6.4. Upon issuing additional shares or changing the par value of shares, the Company shall perform the necessary State Registration of the issued securities and appropriately amend the Charter.

#### ARTICLE 7. -- DECREASE OF CHARTER CAPITAL

7.1. The Company shall have the right to decrease its Charter Capital on the basis of a decision adopted by a General Meeting by purchasing a portion of its shares in order to cancel them.

7.2. Decrease of Charter Capital is allowed only after all creditors have been notified, personally, in writing. In this case, creditors have the right to demand early termination or fulfillment of corresponding obligations and compensation for related losses.

7.3. Decrease of Charter Capital in violation of the procedure set forth in this Article shall be a basis for liquidation of the Company pursuant to a court decision at the request of interested parties.

#### ARTICLE 8 -- SECURITIES

8.1. The Company initially shall issue shares in an amount equal to its Charter Capital and shall register them according to the procedure envisaged by legislation of the Kyrgyz Republic.

8.2. The Shareholders shall have the right to dispose of their shares in any way without any restrictions.

8.3. A share is a security of the Company which certifies proportional ownership of a Shareholder in the Company and his right to a part of the Charter Capital of the Company.

8.4. All shares of the Company shall be registered name shares.

Movements of registered shares shall be recorded in the Register of Shareholders which is maintained in accord with Article 9 of this Charter.

8.5. A transfer of shares does not need the agreement of the Company.

8.6. Shares may be sold directly or through financial establishments.

8.7. Shares of the Company shall be indivisible. If one and the same share belongs to a grouping of several legal entities and/or natural persons, the Company shall recognize such grouping as a whole as one Shareholder.

8.8. Shares issued but not sold or shares purchased back by the Company shall not be taken into account for the determination of the quorum at the General Meeting or for voting at the General Meeting.

Such shares shall be subject to distribution or cancellation within one year from issue or repurchase.

8.9. The Company shall have the right to issue (place) bonds and other securities as set forth in legislation of the Kyrgyz Republic and normative acts on securities.

8.10. In order to raise additional capital, the Company shall have the right to issue bonds for a sum which does not exceed its Charter Capital.

8.11. Bonds are securities issued by the Company which establish the right of the holder to obtain redemption of its nominal value from the Company during the established period and to receive annual income as a fixed percentage of the nominal value. Bonds shall not bestow the right to vote at the General Meeting.

The Company shall be fully responsible for repayment of bonds and payment of interest on them, which is set at the time the bonds are issued, as well as for observation of other terms of the bond.

8.12. Bonds must provide the following information:

- firm name and location of the Company;
- number of the class and ordinary number of the bond;
- nominal value;

- term and procedures of clearing;
- amount of payable interest (for interest-bearing bonds);
- name of the holder;
- signatures (facsimile) of the Chairman of the Board of Directors or Authorized Officer of the Company.

## ARTICLE 9 -- REGISTER OF SHAREHOLDERS

9.1. The Company shall be obligated to ensure maintenance of the Register of Shareholders and storage of the Register of Shareholders in strict compliance with legislation no later than 1(one) month from the State Registration of the Company.

9.2. All movements of a share shall be recorded in the Register of Shareholders which shall be maintained by a Licensed Independent Registrar. In the Registry of Shareholders there must be entered facts on each named share, the date of acquisition, the number of such shares held by each Shareholder, and the recording of each Shareholder's particulars (location and settlement account for legal entities and passport data and place of residence for individuals). Particulars of individuals who notify the Company that they have pledge rights to shares in accord with legislation of the Kyrgyz Republic shall also be included in the Register of Shareholders, with an indication whether the pledge holder has the rights to vote such shares.

9.3. The Register of Shareholders may contain other data provided by legislation of the Kyrgyz Republic on securities, including data on persons who hold the shares and perform transactions with them in the interest of the Shareholders. Data on issued shares owned by the Company must be included in the Register of Shareholders.

9.4. The Management Board shall be obligated to store the Register of Shareholders at the location of the Licensed Independent Registrar, and to provide Shareholders and pledges the opportunity to review it. Only the Licensed Independent Registrar may enter changes or have custody of the registry.

9.5. The Licensed Independent Registrar must make extracts from the Register of Shareholders and provide them upon demand to Shareholders or pledges to confirm their share ownership.

The Extract shall provide the following information:

- Name of the registered Shareholder;
- Date at which the Extract is issued, proving the respective ownership of shares;
- The official name of the Company;
- Name of State Agency which registered the Company;
- State Registration of shares with the National Securities Commission;

- Official name and legal address of the Registrar;
- Official name of the bank which is the paying agent for the Company;
- Number of shares of the Shareholder.

9.6. Entry of a record into the Register of Shareholders shall be made no less than 3 (three) days from the submission of documents required by legislation of the Kyrgyz Republic.

9.7. In case it refuses a request to enter a record into the Register of Shareholders, the Licensed Independent Registrar shall send, within 5 (five) days of the date of the request, an explanatory notice about its refusal to the person who requested the entry of the record.

A refusal to enter a record into the Register of Shareholders may be appealed to the Audit Commission of the Company, the National Securities Commission or to a court. The Licensed Independent Registrar must, within 2 (two) days of receipt of a decision by one of these bodies, enter the appropriate record into the Register of the Shareholders.

#### ARTICLE 10 -- ORGANIZATIONAL BODIES OF THE COMPANY

10.1. The following shall be the bodies of the Company:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board;
- Audit Commission.

#### ARTICLE 11 -- GENERAL MEETING OF SHAREHOLDERS

11.1. The General Meeting shall be the highest decision making body; it shall have the right to decide all matters related to the activity of the Company.

11.2. The General Meeting is called by the Board of Directors regularly, but not less than once a year on the last Thursday of the month of March at 10 (ten) a.m. at the Company unless otherwise decided by the Board of Directors indicated in the notice calling the General Meeting.

11.3. Extraordinary General Meetings shall be called by the Board of Directors:

upon initiative of the Board of Directors, the Management Board, the Audit Commission, or by written demand of Shareholders representing 20 (twenty) percent of the votes, whose petition shall spell out the reasons to call the Extraordinary General Meeting and the proposed agenda.

Extraordinary Meetings shall be called:

11.3.1. if there is a danger of insolvency of the Company or of a significant decrease of more than 50 (fifty) percent of the Charter Capital;

11.3.2. in case of significant changes in the legal and economic conditions of the Company requiring change of this Charter and other extraordinary measures;

11.3.3. in order to solve issues of necessary increases of the Charter Capital by more than by 25 (twenty-five) percent in the period between regular sessions of the General Meeting;

11.3.4. in other cases if the interests of the Company on the whole require so.

11.4 The following issues are the exclusive jurisdiction of the General Meeting:

11.4.1. amendments to the charter;

11.4.2. changes (increase or decrease ) in the size of the Company's Charter Capital;

11.4.3. consolidation and splitting of issued shares and issuance of additional shares;

11.4.4. reorganization or liquidation of the Company, appointment of the Liquidation committee and ratification of the liquidation balance sheet;

11.4.5. procedures of issuance of corporate bonds;

11.4.6. election of members of the Board of Directors and the Audit Commission, as well as determination of their fees and early termination of their powers;

11.4.7. approval of the procedure of distribution of profit and of coverage of losses;

11.4.8. approval of annual results of the Company's activities, of reports of the Company's executive bodies and of statements of the Audit Commission;

11.4.9. decisions on issues of items 11.4.1., 11.4.2., 11.4.3., and 11.4.4. shall be adopted by at least 2/3 (two-thirds) of the total number of votes of Shareholders; decisions on issues of items 11.4.5., 11.4.6. and 11.4.7. shall be adopted by at least 2/3 (two-thirds) of the votes of Shareholders or their representatives present at the General Meeting; decisions on issues of item 11.4.8. shall be adopted by a simple majority vote of Shareholders or their representatives present at the General Meeting.

11.5. The Annual General Meeting of Shareholders shall ratify the reports of the Board of Directors, the Management Board and the Audit Commission, the annual balance sheet, and the income statement.

11.6. The following types of transactions shall also be within the exclusive competence of the General Meeting of Shareholders:

11.6.1. a transformation of the Company into a legal entity of another type;

11.6.2. a sale of assets, directly or through subsidiaries, equal to at least 20 (twenty) percent of the book value of the Company's fixed assets (excluding assets sold in the regular course of business such as electricity);

11.6.3. a purchase of assets or another transaction that will result in the Company owning, directly or through subsidiaries, additional assets equal to at least 20 (twenty) percent of the book value of the Company's assets;

11.6.4. the book value calculated in 11.6.2. and 11.6.3. above shall be adjusted for inflation.

11.7. Decisions on issues which this Charter refers to the exclusive jurisdiction of the General Meeting cannot be delegated to executive bodies of the Company.

11.8. The Company will send to the address indicated in the Registry of Shareholders an individual notice about a forth-coming General Meeting to all Shareholders, to the members of the Audit Commission of the Company, and to the Licensed Independent Registrar of the Company.

In addition, a public notice about a forth-coming General Meeting must be published 3 (three) times in each nationally or locally distributed newspaper or newsmagazine which has or pretends to have at least 1,000 copies printed of its edition.

Such public notice must indicate the time and place of the General Meeting and the agenda.

A notice for an Extraordinary General Meeting must contain an explanation of the issues to be discussed.

11.9. Notice shall be made not later than 20 (twenty) days before a General Meeting. A General Meeting shall not adopt decisions on issues which are not included on the agenda unless a decision on such an issue is adopted by unanimous vote of all Shareholders present or represented at the General Meeting.

If the 20 (twenty) day period is not respected or if a Notice was not sent or published, decisions of the General Meeting shall not have legal force unless they are adopted unanimously.

11.10. A General Meeting shall be considered to be valid if Shareholders or their representatives holding more than 60 (sixty) percent of the total voting shares of the Company have registered with the Registration Commission at the time it finishes registering attendance.

In case there is no quorum at a General Meeting, the Board of Directors shall call another General Meeting of Shareholders within one month that will have authority to adopt decisions if Shareholders or their representatives holding over 40 (forty) percent of the total voting shares participate in it.

11.11. Voting at a General Meeting shall be conducted on the principle of 'one share -- one vote.' However, election of members of the Board of Directors shall be by cumulative voting. The number of votes of each Shareholder is equal to the number of shares he holds multiplied by the number of places on the Board, and the shareholder has the right to distribute all such votes in any way.

Every Shareholder shall have the right to attend any General Meeting personally or through a representative with a power of attorney or proxy prepared and used as described in Article 12 of this Charter and in compliance with the requirements of legislation of the Kyrgyz Republic.

#### ARTICLE 12 -- PROXY RULES

12.1. Shareholders may cast their votes either personally or by written proxy. Any proxy shall state the proposals to be voted upon, with provisions to allow the Shareholder to vote yes, no or to abstain.

12.2. The proxy may not be open-ended and may not leave any discretion to the proxy holder, except to decide upon matters incidental to the conduct of the General Meeting.

12.3. Proxies are valid only for one General Meeting and must be revocable. Any other means of ceding voting rights are prohibited.

12.4. At the date, time and place of the convened General Meeting, all duly appointed Shareholder representatives must show to the Registration Commission original proxy documents signed by the registered Shareholder or the Shareholder's duly authorized representative if the Shareholder is a legal entity.

12.5. Appointed representatives shall exercise their voting rights in the manner specified in the proxy. The Registration Commission shall be responsible for ensuring compliance. Votes exercised by proxy shall be kept confidential.

#### ARTICLE 13 -- PREFERRED SHARES

13.1. The Company shall not issue any preferred shares.

#### ARTICLE 14 -- BOARD OF DIRECTORS

14.1. The Board of Directors shall be the highest supervisory body of the Company during the periods between General Meetings.

14.2. The Board of Directors shall have the right to make decisions on all issues within its jurisdiction as provided by this Charter.

14.3. The Board of Directors shall consist of no less than 7 (seven) and no more than 11 (eleven) members, half of whom are elected at each Annual General Meeting.

14.4. The Board of Directors exercises supervision over the activity of management; authorizes agreements with significant economic liability, collateral agreements, and commission agreements; decides issues of acquisition by the Company of its own shares; determines the terms of compensation for the officers of the Company, its branches and representative offices; and implements other functions set forth in this Charter.

The Board of Directors shall have the following exclusive authorities:

14.4.1. to identify the strategic areas of development for the Company, to adopt strategic plans and reports for implementation, and to approve major construction projects;

14.4.2. to adopt Provisions on the Management Board of the Company, its structure and its membership, including fixed terms of office, if any;

14.4.3. to oversee the performance of the Management Board of the Company;

14.4.4. to adopt normative documents which regulate the internal procedures of Board of Directors and the Management Board;

14.4.5. to execute Performance Agreements with the State Energy Agency, as defined in the Energy Law of the Kyrgyz Republic of October 30, 1996;

14.4.6. to approve provisions on incentive systems for the Management Board and division managers of the Company based on Performance Agreements;

14.4.7. to introduce proposals on discontinuance of activities of branches, representative offices, divisions and subsidiaries of the Company;

14.4.8. to appoint Members of the Management Board.

14.5. The Board of Directors shall have no right to interfere with the ordinary operational activity of the Management Board.

14.6. Members of the Board of Directors do not have the right to act on behalf of the Company.

14.7. The Board of Directors shall review reports, financial statements, and audits, before submitting the Annual Report for Shareholders' approval at the Annual General Meeting.

The Board of Directors may not withhold from Shareholders any material information concerning the Company.

14.8. The Board of Directors shall have the right to obtain any information on the Company's activity.

The Board of Directors may order members of the Management Board, Company officials and members of the Audit Commission to appear in front of the Board of Directors for hearings or to present reports.

The Board of Directors may order the Audit Commission to conduct specific inquiries.

14.9. The Board of Directors may organize a commission of experts to conduct independent examinations of or provide advice on the most important projects, programs and significant strategic decisions.

14.10. The Board of Directors may organize working commissions made up of its Members to deal specifically with remuneration of top executives and nominate candidates for election to the Board of Directors by the General Meeting.

14.11. Issues referred by this Charter to the exclusive jurisdiction of the Board of Directors cannot be delegated to executive bodies, legal entities or institutions.

14.12. The Chairman of the Board of Directors shall be elected by the General Meeting.

The Chairman of the Board of Directors may:

- 14.12.1. delegate his authorities to a Member of the Board of Directors when absent;
- 14.12.2. represent the Company in international organizations and within the country;
- 14.12.3. sign resolutions that have been adopted by the Board of Directors;
- 14.12.4. sign orders, instructions and decrees related to activities of the Board of Directors;
- 14.12.5. nominate candidates for the position of the Chairman of the Management Board and for the Management Board.

14.13. No Member of the Board of Directors may also serve on the Management Board or the Audit Commission.

14.14. Every Member of the Board of Directors shall be free of any commercial interest or relationship which would interfere with the exercise of his independent judgment.

14.15. Members of the Board of Directors shall have no right to exercise in their own interests property or non-property rights of the Company.

14.16. While carrying out their responsibilities, Members of the Board of Directors shall have no right to establish, take part in, or have a financial interest in the work of any enterprise which competes with or supplies the Company.

14.17. Meetings of the Board of Directors shall be held at least every 2 (two) months and shall be considered valid when at least 2/3 (two-thirds) of its Members are present.

14.18. All Members of the Board of Directors must be notified of any Meeting of the Board in writing at least 3 (three) days in advance of the meeting. The notice shall comprise the agenda of the forthcoming meeting, and all the necessary documents connected with the agenda shall be attached.

14.19. A meeting of the Board of Directors may be convened at the discretion of the Chairman of the Board of Directors or at the demand not less than 1/3 (one-third) of the Members of the Board of Directors.

14.20. The decisions of the Board of Directors shall be adopted by a simple majority of vote, unless legislation of the Kyrgyz Republic or this Charter requires otherwise. In case of a tie vote, the Chairman of the Board of Directors shall be entitled to the decisive vote.

14.21. Minutes of all the meetings of the Board of Directors shall be kept in accord with established procedures. All the minutes must be signed by the Chairman of the Board of Directors and the Responsible Secretary of the Board of Directors or the persons substituting for them at meetings.

14.22. A vacancy on the Board of Directors may be filled by a resolution of the remaining Members until a General Meeting is held.

#### ARTICLE 15 -- MANAGEMENT BOARD

15.1. The executive body of the Company is the Management Board headed by the Chairman of the Management Board.

15.2. Between General Meetings, the Management Board conducts all activities of the Company within the limits of its jurisdiction as set forth in this Charter.

The Management Board shall have the jurisdiction to decide all issues which have not been placed within the exclusive jurisdiction of other management bodies as determined by legislation of the Kyrgyz Republic or by this Charter.

15.3. The Management Board shall be the body authorized to manage the property that is in the Company's jurisdiction. The Management Board shall carry out the operational management of the Company and its divisions. The Management Board shall carry out its activity in accord with legislation of the Kyrgyz Republic, the provisions of this Charter, internal regulations and the decisions of the Board of Directors.

15.4. The Management Board shall be responsible to the Board of Directors and can be terminated by the Board of Directors.

15.5. Members of the Management Board shall be appointed by the Board of Directors at General Meetings.

15.6. No member of the Management Board shall simultaneously be a member of either the Board of Directors or the Audit Commission.

15.7. In case one or more Members of the Management Board shall be unable to fulfill the functions delegated to them, the Board of Directors shall appoint Substitute Members.

15.8. The remuneration for Members of the Management Board shall be determined by the Board of Directors.

15.9. Every year, the Management Board shall prepare an Annual Report, an annual balance sheet, and an income statement 30 (thirty) days before the date of the Annual General Meeting and shall make these documents available to the Board of Directors.

The Annual Report, the annual balance sheet, and the income statement must be signed by all Members of the Management Board and all Members of the Board of Directors. In case any signature is absent, a corresponding note shall be made which justifies such absence.

After obtaining these signatures, the Secretariat of the Board of Directors shall make these documents available to Shareholders 20 (twenty) days before the date of the Annual General Meeting.

15.10. The Management Board has the right:

15.10.1. to set the operational management policies for the generation and sale of electric energy;

15.10.2. to determine the forms and methods of management;

15.10.3. to effect payments to the budget.

15.11. The Management Board has the authority to appoint and dismiss division managers of the Company.

15.12. The Management Board shall decide on the issues of wages and bonuses for employees.

15.13. The Management Board shall negotiate Performance Agreements with the State Energy Agency, as defined in the Energy Law of the Kyrgyz Republic of October 30, 1996 and present them to the Board of Directors for execution.

#### ARTICLE 16 -- CHAIRMAN OF THE MANAGEMENT BOARD

16.1. The Chairman of the Management Board shall be appointed by the Board of Directors.

16.2. The Chairman of the Management Board shall coordinate the management activities of the Management Board.

16.3. The Chairman of the Management Board shall carry out his activity in strict accord with legislation of the Kyrgyz Republic, this Charter, internal regulations and the resolutions of the Board of Directors.

16.4. The Chairman of the Management Board shall submit the structure of the Management Board for approval to the Board of Directors.

16.5. The Chairman of the Management Board shall determine the staff of employees and the conditions of their hiring and dismissal.

#### ARTICLE 17 -- SECRETARIAT OF THE BOARD OF DIRECTORS

17.1. To organize the work of the Board of Directors, a Secretariat of the Board shall be created.

17.2. The Secretariat shall keep the following records on file as well as others:

17.2.1. this Charter, normative documents and acts regulating the relations within the Company;

17.2.2. the list of persons having powers of attorney to represent the Company;

17.2.3. the minutes of the meetings of the General Meeting, Board of Directors and Management Board.

17.3. Under the supervision of the Board of Directors, the Secretariat shall perform any necessary updating of registrations and other legally required tasks.

#### ARTICLE 18 -- AUDIT COMMISSION

18.1. The Audit Commission shall be elected by the General Meeting for the purpose of assuming control over the financial and business activity of the Company.

The procedure for auditing the activity of the Company is determined by legislation of the Kyrgyz Republic and by this Charter. Upon demand by the Audit Commission, officials of the Company shall be obligated to provide the Company's financial and business activity documents.

18.2. No member of the Board of Directors or the Management Board shall simultaneously be a member of the Audit Commission.

18.3. An audit of the financial and business activity of the Company shall be performed annually, or at any time upon the initiative of the Audit Commission, the General Meeting, the Board of Directors or at the demand of Shareholders holding in total at least 10 (ten) percent of the voting shares.

18.4. The Company may hire a reputable professional auditor who has no property interest in the Company (an independent auditor) to audit and verify the accuracy of the financial reports.

18.5. The Board of Directors cannot approve the Company's financial statements for submission to the General Meeting unless the Audit Commission's conclusions are included.

18.6. The Audit Commission has responsibility for the audit report and cannot delegate this responsibility.

18.7. The Audit Commission may demand an Extraordinary General Meeting of the Shareholders or of the Board of Directors if its investigations reveal a threat to the interests of the Company or abuses or misconduct on the part of Company officials.

18.8. The Company covers the expenses of the Audit Commission in the amount approved by the Board of Directors.

18.9. The Company shall also create and maintain an internal auditing function on a full range of business activities. The internal auditors shall submit their reports to both the Audit Commission and the Management Board.

#### ARTICLE 19 -- PROVISIONS APPLICABLE TO ALL OFFICERS AND OFFICIALS OF THE COMPANY

19.1. The Officers of the Company are the Members of the Management Board, of the Audit Commission, and of the Board of Directors.

19.2. The Officers of the Company must act in the interests of the Shareholders.

19.3. No Officer or official of the Company shall take advantage of any business opportunity falling within the sphere of the Company's goal and activities without observance of the stipulations of this Article.

19.4. If an Officer or official has a financial interest in a transaction entered into by the Company, he must:

1) inform the Management Board and the Board of Directors in writing;

2) obtain written permission from a majority of both the Board of Directors and the Management Board before engaging in such a transaction.

19.5. For the purpose of this Charter, financial interest shall mean in particular the following:

- 1) when the Officer or official is an owner or creditor of, or has an employment relationship with a major supplier of goods or services to the Company, or when he is a major buyer or recipient of goods or services produced or provided by the Company;
- 2) when the Officer or official is an owner or creditor of, or has an employment relationship with a physical or legal entity which either has been fully or partially created from assets of the Company or which has the right to receive profit from managing the property of the Company.

19.6. Officers and officials of the Company must not allow use of property or property rights of the Company for purposes which contradict decisions of the General Meeting or of the Board of Directors.

19.7. Officers and officials of the Company must refrain from founding or participating in any form of activity which competes with the Company, except in cases when this competition shall have been specifically allowed in writing by the majority of the Board of Directors.

## ARTICLE 20 -- ACCOUNTING AND REPORTING

20.1. The Company shall keep operational and accounting records as well as statistical accounts and shall submit those required by legislation of the Kyrgyz Republic to the relevant state authorities in accord with the established procedures.

20.2. The fiscal year shall begin at the date of the Company's registration with the State and shall end on the 31st day of December of the same calendar year. The subsequent fiscal years shall correspond to the calendar year.

20.3. The Company's accounting activities shall be exercised in conformity with the goal and objectives of the Company.

20.4. The Company must keep separate accounts for each of its generating stations.

20.5. The organization of an effective system for book-keeping, accounting and reporting shall be established by the Management Board according to legislation of the Kyrgyz Republic and must be kept current.

20.6. The Chairman of the Management Board and the Chief Accountant shall be personally responsible for the maintenance and accuracy of the accounting system and the accounting.

## ARTICLE 21 -- DISTRIBUTION OF PROFITS

21.1. The gross and net profit of the Company shall be determined in accord with procedures set forth in the relevant legislation of the Kyrgyz Republic.

21.2. The net profit of the company (after payment of all taxes) shall remain at the disposal of the Company and shall be distributed periodically to shareholders as dividends, transferred to the reserve fund, or kept as retained earnings and used for development of production activities or other purposes, as decided by the General Meeting.

In accord with the foregoing, any distribution of profit may occur only after adoption or approval by the General Meeting of the audited Annual Report, balance sheet, and income statement which shall confirm the amount of profit, using International Accounting Standards, and that such distribution is authorized.

Any distribution of profits in violation of provisions of this Article must be refunded by the Shareholders.

21.3. A dividend is a portion of the Company's net profit distributed to a Shareholder in proportion to the number of shares he owns. The final amount of dividend for each common share shall be proposed by the Management Board to the Board of Directors and approved by the General Meeting. A dividend may not be more than that recommended by the Management Board, but it may be reduced by a General Meeting. The Company must pay out as dividends at least 25 (twenty five) percent of profits retained by the Company, in accord with legislation of the Kyrgyz Republic.

21.4. The Company shall not be allowed to declare and pay a dividend if payment of dividends will decrease the Charter Capital.

21.5. Dividends shall not be paid on unissued shares, shares issued but not sold or shares purchased back by the Company.

21.6. Payment of dividends shall be paid out by a bank-agent or by the Company itself in accord with legislation of the Kyrgyz Republic.

21.7. The Company shall declare the amount of dividend without subtraction of any taxes. However, the Company or bank-agent shall act as state tax-collecting agent and withhold the corresponding taxes from any dividends to Shareholders in accord with the Tax Code of the Kyrgyz Republic.

21.8. Dividends may be paid out in various methods: cash, check, payment order, or postal order.

Shares acquired at least 30 (thirty) days before the officially declared payment date shall be entitled to dividends.

21.9. The Company shall establish a Reserve Fund for general purposes pursuant to Article 3 of this Charter, for an amount not less than 20 (twenty) percent of the Charter Capital.

21.10. Payments to the Reserve Fund must equal or exceed 5 (five) percent of the annual net profit of the Company until such time as the Reserve Fund equals not less than 20 (twenty) percent of the Charter Capital. If within 5 years after the establishment of the Company the Reserve Fund does not equal 20 (twenty) percent of the Charter Capital, payment to the Reserve Fund shall increase to 10 (ten) percent of the annual net profit of the Company until the minimum reserve requirement is satisfied.

21.11. The amount of payments in any specific year to the Reserve Fund shall be determined by a General Meeting.

## ARTICLE 22 -- REORGANIZATION

22.1. Reorganization of the Company (merger, consolidation, break-up, spin-off, and transformation) shall be carried out in accord with the Civil Code and other relevant legislation of the Kyrgyz Republic.

22.2. In a break-up or spin-off, the organizational-legal form of all legal successors shall be the same as the parent Company's before adoption of the reorganization decision.

22.3. A decision on reorganization of the Company shall be adopted by a General Meeting, which shall also determine the procedure and time periods of the reorganization. If the reorganization is the result of a judicial decision, the reorganization shall follow procedures set forth in legislation of the Kyrgyz Republic.

22.4. No types of reorganizations of the Company shall be carried out earlier than 2 (two) months from the date of publication of a notice in the press in accord with provisions in Article 11. Creditors shall have the right, within three months after the reorganization, to make a demand for early termination or execution of respective obligations and reimbursement for damages caused to them by the Company.

22.5. In a reorganization of the Company, common shares cannot be exchanged for other property or property rights, other than common shares in a new, merged, spun-off, or successor company.

## ARTICLE 23 -- SUBSIDIARIES, BRANCHES, AND REPRESENTATIVE OFFICES

23.1. The company may create subsidiaries, branches and representative offices in accord with legislation of the Kyrgyz Republic.

23.2. A subsidiary shall act as an independent business organization and its relationships with the Company shall be contained in its Charter and shall be consistent with legislation of the Kyrgyz Republic.

23.3. Branches and representative offices are not legal entities. They rely on the Company's property for their fixed and current assets, act on the basis of resolutions approved by the Company, and carry out their activities on behalf of the Company. The Company shall be liable for the activities of a branch or representative office.

Directors of branches or representative offices shall act on the basis of a power of attorney issued by the Company.

## ARTICLE 24 -- LIQUIDATION OF THE COMPANY

24.1. The Company may be liquidated:

- 1) by a decision adopted by the General Meeting;
- 2) by a court decision in accord with legislation of the Kyrgyz Republic.

24.2. If the residual assets of the Company after liquidation are insufficient to compensate each shareholder for the par value of held shares, they shall be distributed to Shareholders in proportion to the par value of his shares held.

## ARTICLE 25 -- GENERAL PROVISIONS

25.1. If one of the provisions of this Charter becomes invalid, it does not affect the rest of the provisions.

25.2. Invalid provisions can be replaced, by amendment in the manner provided for in this Charter, with provisions that accord with legislation of the Kyrgyz Republic and are close to the original intent.

---

**APPENDIX C**  
**CHARTER OF "NORTHELECTRO"**

**CHARTER  
OF  
“NORTHELECTRO”**

ARTICLE 1 -- MAIN PROVISIONS

1.1. A Joint Stock Company by the name of “Northelectro” (hereafter referred to as: “the Company”) is founded pursuant to the decision of the General Meeting of shareholders of “Kyrgyzenergo” Joint Stock Company (date) and in accord with legislation of the Kyrgyz Republic.

1.2. No funds shall be allocated in the Republican or local budgets to support the Company, regardless of the size of the State’s block of shares in the Company. The Company shall carry out its activities based on the principles of self-financing in accord with legislation of the Kyrgyz Republic and this Charter.

1.3. The Company is expected to operate on a profit-making basis.

1.4. The Company shall be an open Joint Stock Company.

1.5. The address of the Registered Office of the Company is \_\_\_\_\_. The Registered Office may be transferred to any other place in the Kyrgyz Republic by simple decision of the Board of Directors.

ARTICLE 2. LEGAL STATUS

2.1. The Company shall be a legal entity from the date of its State Registration in accord with procedures set forth in legislation of the Kyrgyz Republic.

2.2. The Company shall own, use and dispose of its property in conformity with its goal, objectives and licensed activities.

2.3. Subject to the limitations of Article 3 of this Charter, the Charter as a whole, and legislation of the Kyrgyz Republic, the Company shall have the powers, including but not limited to:

2.3.1. exist in perpetuity until dissolved by the Shareholders;

- 2.3.2 have a corporate seal with the coat of arms of the Kyrgyz Republic, registered trademark and logo;
  - 2.3.3. issue and sell shares and other securities;
  - 2.3.4. act as a plaintiff or as a defendant in a court of law or participate in arbitration or administrative proceedings, including but not limited to proceedings before the State Energy Agency;
  - 2.3.5. enter into contracts and other legally binding agreements;
  - 2.3.6. acquire, own, use, hold, lease, sell and otherwise dispose of or deal with real and other property in accord with Article 3 of this Charter and undertake all industrial, commercial, financial and real estate transactions directly connected to its main activities;
  - 2.3.7. maintain accounts in banks;
  - 2.3.8. appoint such officers and authorized employees as the business of the Company requires and to provide such officers with suitable compensation;
  - 2.3.9. amend and repeal this Charter or any of its terms in the manner provided by legislation of the Kyrgyz Republic and this Charter;
  - 2.3.10. carry out all activities directly connected with its main activities, on its own, through agents under lease, concession or contract, or as a participant in joint ventures;
  - 2.3.11. invest and reinvest its funds in carrying out its main activities;
  - 2.3.12. incur liabilities in line with specific powers delegated by the Shareholders;
  - 2.3.13. improve the organization of management, forms and methods of economic activities;
  - 2.3.14. hire employees including managers and change the number of employees taking into account development perspectives of the Company;
  - 2.3.15. prepare long-term forecasts and strategic plans for economic development of the Company;
  - 2.3.16. implement an integrated investment strategy taking into account the general tasks of the Company, as well as the needs for expansion, reconstruction and technical re-equipment;
  - 2.3.17. implement measures of environmental protection;
  - 2.3.18. carry out trade, economic, scientific and technical activities and cooperation with foreign entities;
  - 2.3.19. pursue an integrated policy of social protection of employees;
  - 2.3.20. in order to achieve its goal and objectives, form the reserve funds required by legislation of the Kyrgyz Republic or form other funds necessary to assure sound financial management of the Company.
  - 2.3.21. wind up and dissolve in the manner provided by legislation of the Kyrgyz Republic and this Charter;
- 2.4. The State shall not be responsible for the Company's general liabilities. The Company shall not be responsible for any State liabilities.

### ARTICLE 3 -- GOAL AND MAIN ACTIVITIES

3.1. The goal of the Company shall be to conduct business in the Kyrgyz Republic on a profitable basis by providing electrical energy services to customers at economically justified prices.

3.2. The Company shall carry out the following main activities:

3.2.1. to carry out distribution and sale of electricity pursuant to licenses obtained in accord with legislation of the Kyrgyz Republic;

3.2.2. to buy electricity;

3.2.3. to wheel electricity through its network;

3.2.4. in case of emergency, to take measures to assure the safety of the population and the Company's assets and to safeguard the supply of electricity;

3.2.5. to assure reliability and safe operation of its energy assets in accord with applicable standards and rules;

3.2.6. to make recommendations on tariffs for the sale of electrical energy;

3.2.7. to carry out other activities directly related to the Company's goal and allowed by legislation of the Kyrgyz Republic.

3.3. The Company shall carry out these activities in accord with the following principles:

3.3.1. maintain a safe, reliable and uninterrupted supply of electricity;

3.3.2. adopt management practices that result in continuous improvements in productivity and efficiency and reduction of technical and commercial losses;

3.3.3. show respect for the interests and needs of consumers, including their safety;

3.3.4. provide continuous improvements in reliability and quality of service to consumers at fair prices;

3.3.5. take prompt measures on consumer complaints;

3.3.6. show respect for the environment.

#### ARTICLE 4 -- SHAREHOLDERS

4.1. A Shareholder of the Company shall be any legal entity or natural person having at least one share.

4.2. If the activity of a Shareholder who is a legal entity ceases or if a Shareholder who is a natural person dies, the rights and duties of ownership of a share shall pass on to their legal successors.

4.3. The Shareholders shall have all the rights granted by the legislation of the Kyrgyz Republic, including but not limited to the following:

4.3.1. to receive dividends from the Company paid in accord with legislation of the Kyrgyz Republic and procedures set by the Company;

4.3.2. to purchase voting shares of the Company on a preferential basis when additional shares are issued in the future. This right shall be limited to the right of being able to maintain the Shareholder's proportional ownership in the Company.

4.3.3. to receive full information on the activity of the Company, including the periodic reports on the financial results of the Company prepared for the Board of Directors, tax authorities and any Annual or Extraordinary General Meetings of Shareholders (hereafter: "General Meeting" unless specified otherwise).

4.3.4. to demand copies of protocols of any General Meeting;

4.3.5. to present their objections, explanations and proposals at any General Meeting;

4.3.6. to demand that the Audit Commission examine without conditions the activity of the Management Board and conduct special audits of the Company, if such Shareholders in total own not less than 10 (ten) percent of the votes;

4.3.7. to demand that the Board of Directors call an Extraordinary General Meeting at any time for any reason, but not earlier than 30 (thirty) days from filing a demand in writing, if such Shareholders in total own not less than 20 (twenty) percent of votes of the General Meeting; and to independently call the General Meeting if, within 20 (twenty) days from filing a demand, the Board of Directors has not called for the Extraordinary General Meeting;

4.3.8. to submit written inquiries to the Management Board, not less than 15 (fifteen) days prior to a General Meeting, on issues included on the agenda of the General Meeting and to demand explanation;

4.3.9. to appeal in court any decisions of the General Meeting and the Board of Directors which do not comply this Charter and legislation of the Kyrgyz Republic ;

4.3.10. to participate in all General Meetings if they have shares with the right to vote;

4.3.11. to entrust their representatives to participate by proxy in a General Meeting; proxies are to be available for such participation, including for repeat meetings called due to the absence of a quorum;

4.3.12. to associate for the purpose of sending a common representative to a General Meeting on the basis of a proxy.

4.4. In case of liquidation of the Company, the Shareholders shall have equal rights to the rest of the Company's assets after final payment and redemption of all debts; they shall be entitled to that part of the remaining assets which is equal to the percentage of their shareholding in the Company.

4.5. The Shareholders shall have the obligations:

4.5.1. to adhere to the founding documents of the Company including this Charter and to all other governing documents of the Company;

4.5.2. not to disclose the commercial secrets and confidential information about the Company's activity which they acquire in their capacity as Shareholders;

4.5.3. to fulfill any other obligations required of them pursuant to legislation of the Kyrgyz Republic.

4.6. The Shareholders shall be financially responsible for the Company's obligations within the limit of their shares, and they shall not be personally responsible for any financial losses, responsibilities, liabilities or obligations of the Company.

4.7. It shall be prohibited to release a Shareholder from the obligation of paying for shares, even as an offset for a claim against the Company.

#### ARTICLE 5. -- CHARTER CAPITAL

5.1. The Charter Capital of the Company shall be established by separating the assets and balances of "Kyrgyzenergo" Joint Stock Company in accord with the decision of the General Meeting of Kyrgyzenergo's shareholders (date).

5.2. The decision adopted by the General Meeting of Kyrgyzenergo's shareholders on break-up of "Kyrgyzenergo" and creation of the Company shall also determine the procedure for exchanging shares of the reorganizing "Kyrgyzenergo" for the shares of the Company.

5.3. Each Shareholder in "Kyrgyzenergo" shall receive the same percent of the Company's shares as the percent of shares he owned in "Kyrgyzenergo" at the time the Company was created.

5.4. The Charter Capital of the Company equals [XXX soms].

5.5. The Charter Capital is divided into [XXX] of nominal and fully issued common shares.

5.6. Each share has a par value of [XXX soms].

5.7. Each common share shall be entitled to one vote.

5.8. The property of the Company shall consist of capital assets and working capital, and other assets, the value of which is reflected on an independent balance sheet.

5.9. The Company's funds shall be formed from:

5.9.1. the Charter Capital;

5.9.2. earnings from its activities and from financial, commercial and investment activities that do not contradict legislation of the Kyrgyz Republic and accord with the Company's goal under Article 3;

5.9.3. loans from banks and other entities.

#### ARTICLE 6. -- INCREASE OF CHARTER CAPITAL

6.1. Upon a decision adopted by the General Meeting, the Company may increase the Charter Capital by issuing additional shares.

6.2. The Company is prohibited from increasing the Charter Capital by issuing shares to cover losses it has suffered in the course of its economic activity.

6.3. In a notice about a forthcoming General Meeting to decide on increasing the Charter Capital, there shall be the following information:

- reasons for, methods and minimal amount of the increase of Charter Capital;
- a draft of the changes to the Charter of the Company connected with the increase in Charter Capital;
- the amount of additionally issued shares and their total value;
- an accounting of previously issued shares and the rights of Shareholders regarding the additionally issued shares;
- dates of beginning and termination of the subscription to the additionally issued shares.

6.4. Upon issuing additional shares or changing the par value of shares, the Company shall perform the necessary State Registration of the issued securities and appropriately amend the Charter.

#### ARTICLE 7. -- DECREASE OF CHARTER CAPITAL

7.1. The Company shall have the right to decrease its Charter Capital on the basis of a decision adopted by a General Meeting by purchasing a portion of its shares in order to cancel them.

7.2. Decrease of Charter Capital is allowed only after all creditors have been notified, personally, in writing. In this case, creditors have the right to demand early termination or fulfillment of corresponding obligations and compensation for related losses.

7.3. Decrease of Charter Capital in violation of the procedure set forth in this Article shall be a basis for liquidation of the Company pursuant to a court decision at the request of interested parties.

#### ARTICLE 8 -- SECURITIES

SP

8.1. The Company initially shall issue shares in an amount equal to its Charter Capital and shall register them according to the procedure envisaged by legislation of the Kyrgyz Republic.

8.2. The Shareholders shall have the right to dispose of their shares in any way without any restrictions.

8.3. A share is a security of the Company which certifies proportional ownership of a Shareholder in the Company and his right to a part of the Charter Capital of the Company.

8.4. All shares of the Company shall be registered name shares.

Movements of registered shares shall be recorded in the Register of Shareholders which is maintained in accord with Article 9 of this Charter.

8.5. A transfer of shares does not need the agreement of the Company.

8.6. Shares may be sold directly or through financial establishments.

8.7. Shares of the Company shall be indivisible. If one and the same share belongs to a grouping of several legal entities and/or natural persons, the Company shall recognize such grouping as a whole as one Shareholder.

8.8. Shares issued but not sold or shares purchased back by the Company shall not be taken into account for the determination of the quorum at the General Meeting or for voting at the General Meeting.

Such shares shall be subject to distribution or cancellation within one year from issue or repurchase.

8.9. The Company shall have the right to issue (place) bonds and other securities as set forth in legislation of the Kyrgyz Republic and normative acts on securities.

8.10. In order to raise additional capital, the Company shall have the right to issue bonds for a sum which does not exceed its Charter Capital.

8.11. Bonds are securities issued by the Company which establish the right of the holder to obtain redemption of its nominal value from the Company during the established period and to receive annual income as a fixed percentage of the nominal value. Bonds shall not bestow the right to vote at the General Meeting.

The Company shall be fully responsible for repayment of bonds and payment of interest on them, which is set at the time the bonds are issued, as well as for observation of other terms of the bond

8.12. Bonds must provide the following information:

- firm name and location of the Company;
- number of the class and ordinary number of the bond;
- nominal value;
- term and procedures of clearing;
- amount of payable interest (for interest-bearing bonds);
- name of the holder;
- signatures (facsimile) of the Chairman of the Board of Directors or Authorized Officer of the Company.

## ARTICLE 9 -- REGISTER OF SHAREHOLDERS

9.1. The Company shall be obligated to ensure maintenance of the Register of Shareholders and storage of the Register of Shareholders in strict compliance with legislation no later than 1(one) month from the State Registration of the Company.

9.2. All movements of a share shall be recorded in the Register of Shareholders which shall be maintained by a Licensed Independent Registrar. In the Registry of Shareholders there must be entered facts on each named share, the date of acquisition, the number of such shares held by each Shareholder, and the recording of each Shareholder's particulars (location and settlement account for legal entities and passport data and place of residence for individuals). Particulars of individuals who notify the Company that they have pledge rights to shares in accord with legislation of the Kyrgyz Republic shall also be included in the Register of Shareholders, with an indication whether the pledge holder has the rights to vote such shares.

9.3. The Register of Shareholders may contain other data provided by legislation of the Kyrgyz Republic on securities, including data on persons who hold the shares and perform transactions with them in the interest of the Shareholders. Data on issued shares owned by the Company must be included in the Register of Shareholders.

9.4. The Management Board shall be obligated to store the Register of Shareholders at the location of the Licensed Independent Registrar, and to provide Shareholders and pledges the opportunity to review it. Only the Licensed Independent Registrar may enter changes or have custody of the registry.

9.5. The Licensed Independent Registrar must make extracts from the Register of Shareholders and provide them upon demand to Shareholders or pledges to confirm their share ownership.

The Extract shall provide the following information:

- Name of the registered Shareholder;
- Date at which the Extract is issued, proving the respective ownership of shares;
- The official name of the Company;

- Name of State Agency which registered the Company;
- State Registration of shares with the National Securities Commission;
- Official name and legal address of the Registrar;
- Official name of the bank which is the paying agent for the Company;
- Number of shares of the Shareholder.

9.6. Entry of a record into the Register of Shareholders shall be made no less than 3 (three) days from the submission of documents required by legislation of the Kyrgyz Republic.

9.7. In case it refuses a request to enter a record into the Register of Shareholders, the Licensed Independent Registrar shall send, within 5 (five) days of the date of the request, an explanatory notice about its refusal to the person who requested the entry of the record.

A refusal to enter a record into the Register of Shareholders may be appealed to the Audit Commission of the Company, the National Securities Commission or to a court. The Licensed Independent Registrar must, within 2 (two) days of receipt of a decision by one of these bodies, enter the appropriate record into the Register of the Shareholders.

#### ARTICLE 10 -- ORGANIZATIONAL BODIES OF THE COMPANY

10.1. The following shall be the bodies of the Company:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board;
- Audit Commission.

#### ARTICLE 11 -- GENERAL MEETING OF SHAREHOLDERS

11.1. The General Meeting shall be the highest decision making body; it shall have the right to decide all matters related to the activity of the Company.

11.2. The General Meeting is called by the Board of Directors regularly, but not less than once a year on the last Monday of the month of March at 10 (ten) a.m. at the Company unless otherwise decided by the Board of Directors indicated in the notice calling the General Meeting.

11.3. Extraordinary General Meetings shall be called by the Board of Directors:

upon initiative of the Board of Directors, the Management Board, the Audit Commission, or by written demand of Shareholders representing 20 (twenty) percent of the votes, whose petition shall spell out the reasons to call the Extraordinary General Meeting and the proposed agenda.

Extraordinary Meetings shall be called:

11.3.1. if there is a danger of insolvency of the Company or of a significant decrease of more than 50 (fifty) percent of the Charter Capital;

11.3.2. in case of significant changes in the legal and economic conditions of the Company requiring change of this Charter and other extraordinary measures;

11.3.3. in order to solve issues of necessary increases of the Charter Capital by more than by 25 (twenty-five) percent in the period between regular sessions of the General Meeting;

11.3.4. in other cases if the interests of the Company on the whole require so.

11.4 The following issues are the exclusive jurisdiction of the General Meeting:

11.4.1. amendments to the charter;

11.4.2. changes (increase or decrease ) in the size of the Company's Charter Capital;

11.4.3. consolidation and splitting of issued shares and issuance of additional shares;

11.4.4. reorganization or liquidation of the Company, appointment of the Liquidation committee and ratification of the liquidation balance sheet;

11.4.5. procedures of issuance of corporate bonds;

11.4.6. election of members of the Board of Directors and the Audit Commission, as well as determination of their fees and early termination of their powers;

11.4.7. approval of the procedure of distribution of profit and of coverage of losses;

11.4.8. approval of annual results of the Company's activities, of reports of the Company's executive bodies and of statements of the Audit Commission;

11.4.9. decisions on issues of items 11.4.1., 11.4.2., 11.4.3., and 11.4.4. shall be adopted by at least 2/3 (two-thirds) of the total number of votes of Shareholders; decisions on issues of items

11.4.5., 11.4.6. and 11.4.7. shall be adopted by at least 2/3 (two-thirds) of the votes of Shareholders or their representatives present at the General Meeting; decisions on issues of item

11.4.8. shall be adopted by a simple majority vote of Shareholders or their representatives present at the General Meeting.

11.5. The Annual General Meeting of Shareholders shall ratify the reports of the Board of Directors, the Management Board and the Audit Commission, the annual balance sheet, and the income statement.

11.6. The following types of transactions shall also be within the exclusive competence of the General Meeting of Shareholders:

11.6.1. a transformation of the Company into a legal entity of another type;

11.6.2. a sale of assets, directly or through subsidiaries, equal to at least 20 (twenty) percent of the book value of the Company's fixed assets (excluding assets sold in the regular course of business such as electricity);

11.6.3. a purchase of assets or another transaction that will result in the Company owning, directly or through subsidiaries, additional assets equal to at least 20 (twenty) percent of the book value of the Company's assets;

11.6.4. the book value calculated in 11.6.2. and 11.6.3. above shall be adjusted for inflation.

11.7. Decisions on issues which this Charter refers to the exclusive jurisdiction of the General Meeting cannot be delegated to executive bodies of the Company.

11.8. The Company will send to the address indicated in the Registry of Shareholders an individual notice about a forth-coming General Meeting to all Shareholders, to the members of the Audit Commission of the Company, and to the Licensed Independent Registrar of the Company.

In addition, a public notice about a forth-coming General Meeting must be published 3 (three) times in each nationally or locally distributed newspaper or newsmagazine which has or pretends to have at least 1,000 copies printed of its edition.

Such public notice must indicate the time and place of the General Meeting and the agenda.

A notice for an Extraordinary General Meeting must contain an explanation of the issues to be discussed.

11.9. Notice shall be made not later than 20 (twenty) days before a General Meeting. A General Meeting shall not adopt decisions on issues which are not included on the agenda unless a decision on such an issue is adopted by unanimous vote of all Shareholders present or represented at the General Meeting.

If the 20 (twenty) day period is not respected or if a Notice was not sent or published, decisions of the General Meeting shall not have legal force unless they are adopted unanimously.

11.10. A General Meeting shall be considered to be valid if Shareholders or their representatives holding more than 60 (sixty) percent of the total voting shares of the Company have registered with the Registration Commission at the time it finishes registering attendance.

In case there is no quorum at a General Meeting, the Board of Directors shall call another General Meeting of Shareholders within one month that will have authority to adopt decisions if Shareholders or their representatives holding over 40 (forty) percent of the total voting shares participate in it.

11.11. Voting at a General Meeting shall be conducted on the principle of 'one share -- one vote.' However, election of members of the Board of Directors shall be by cumulative voting. The number of votes of each Shareholder is equal to the number of shares he holds multiplied by the number of places on the Board, and the shareholder has the right to distribute all such votes in any way.

Every Shareholder shall have the right to attend any General Meeting personally or through a representative with a power of attorney or proxy prepared and used as described in Article 12 of this Charter and in compliance with the requirements of legislation of the Kyrgyz Republic.

#### ARTICLE 12 -- PROXY RULES

12.1. Shareholders may cast their votes either personally or by written proxy. Any proxy shall state the proposals to be voted upon, with provisions to allow the Shareholder to vote yes, no or to abstain.

12.2. The proxy may not be open-ended and may not leave any discretion to the proxy holder, except to decide upon matters incidental to the conduct of the General Meeting.

12.3. Proxies are valid only for one General Meeting and must be revocable. Any other means of ceding voting rights are prohibited.

12.4. At the date, time and place of the convened General Meeting, all duly appointed Shareholder representatives must show to the Registration Commission original proxy documents signed by the registered Shareholder or the Shareholder's duly authorized representative if the Shareholder is a legal entity.

12.5. Appointed representatives shall exercise their voting rights in the manner specified in the proxy. The Registration Commission shall be responsible for ensuring compliance. Votes exercised by proxy shall be kept confidential.

#### ARTICLE 13 -- PREFERRED SHARES

13.1. The Company shall not issued any preferred shares.

#### ARTICLE 14 -- BOARD OF DIRECTORS

14.1. The Board of Directors shall be the highest supervisory body of the Company during the periods between General Meetings.

14.2. The Board of Directors shall have the right to make decisions on all issues within its jurisdiction as provided by this Charter.

14.3. The Board of Directors shall consist of no less than 7 (seven) and no more than 11 (eleven) members, half of whom are elected at each Annual General Meeting.

14.4. The Board of Directors exercises supervision over the activity of management; authorizes agreements with significant economic liability, collateral agreements, and commission agreements; decides issues of acquisition by the Company of its own shares; determines the terms of compensation for the officers of the Company, its branches and representative offices; and implements other functions set forth in this Charter.

The Board of Directors shall have the following exclusive authorities:

14.4.1. to identify the strategic areas of development for the Company, to adopt strategic plans and reports for implementation, and to approve major construction projects;

14.4.2. to adopt Provisions on the Management Board of the Company, its structure and its membership, including fixed terms of office, if any;

14.4.3. to oversee the performance of the Management Board of the Company;

14.4.4. to adopt normative documents which regulate the internal procedures of Board of Directors and the Management Board;

14.4.5. to execute Performance Agreements with the State Energy Agency, as defined in the Energy Law of the Kyrgyz Republic of October 30, 1996;

14.4.6. to approve provisions on incentive systems for the Management Board and division managers of the Company based on Performance Agreements;

14.4.7. to introduce proposals on discontinuance of activities of branches, representative offices, divisions and subsidiaries of the Company;

14.4.8. to appoint Members of the Management Board.

14.5. The Board of Directors shall have no right to interfere with the ordinary operational activity of the Management Board.

14.6. Members of the Board of Directors do not have the right to act on behalf of the Company.

14.7. The Board of Directors shall review reports, financial statements, and audits, before submitting the Annual Report for Shareholders' approval at the Annual General Meeting.

The Board of Directors may not withhold from Shareholders any material information concerning the Company.

14.8. The Board of Directors shall have the right to obtain any information on the Company's activity.

The Board of Directors may order members of the Management Board, Company officials and members of the Audit Commission to appear in front of the Board of Directors for hearings or to present reports.

The Board of Directors may order the Audit Commission to conduct specific inquiries.

14.9. The Board of Directors may organize a commission of experts to conduct independent examinations of or provide advice on the most important projects, programs and significant strategic decisions.

14.10. The Board of Directors may organize working commissions made up of its Members to deal specifically with remuneration of top executives and nominate candidates for election to the Board of Directors by the General Meeting.

14.11. Issues referred by this Charter to the exclusive jurisdiction of the Board of Directors cannot be delegated to executive bodies, legal entities or institutions.

14.12. The Chairman of the Board of Directors shall be elected by the General Meeting.

The Chairman of the Board of Directors may:

- 14.12.1. delegate his authorities to a Member of the Board of Directors when absent;
- 14.12.2. represent the Company in international organizations and within the country;
- 14.12.3. sign resolutions that have been adopted by the Board of Directors;
- 14.12.4. sign orders, instructions and decrees related to activities of the Board of Directors;
- 14.12.5. nominate candidates for the position of the Chairman of the Management Board and for the Management Board.

14.13. No Member of the Board of Directors may also serve on the Management Board or the Audit Commission.

14.14. Every Member of the Board of Directors shall be free of any commercial interest or relationship which would interfere with the exercise of his independent judgment.

14.15. Members of the Board of Directors shall have no right to exercise in their own interests property or non-property rights of the Company.

14.16. While carrying out their responsibilities, Members of the Board of Directors shall have no right to establish, take part in, or have a financial interest in the work of any enterprise which competes with or supplies the Company.

14.17. Meetings of the Board of Directors shall be held at least every 2 (two) months and shall be considered valid when at least 2/3 (two-thirds) of its Members are present.

14.18. All Members of the Board of Directors must be notified of any Meeting of the Board in writing at least 3 (three) days in advance of the meeting. The notice shall comprise the agenda of the forthcoming meeting, and all the necessary documents connected with the agenda shall be attached.

14.19. A meeting of the Board of Directors may be convened at the discretion of the Chairman of the Board of Directors or at the demand not less than 1/3 (one-third) of the Members of the Board of Directors.

14.20. The decisions of the Board of Directors shall be adopted by a simple majority of vote, unless legislation of the Kyrgyz Republic or this Charter requires otherwise. In case of a tie vote, the Chairman of the Board of Directors shall be entitled to the decisive vote.

14.21. Minutes of all the meetings of the Board of Directors shall be kept in accord with established procedures. All the minutes must be signed by the Chairman of the Board of Directors and the Responsible Secretary of the Board of Directors or the persons substituting for them at meetings.

14.22. A vacancy on the Board of Directors may be filled by a resolution of the remaining Members until a General Meeting is held.

#### ARTICLE 15 -- MANAGEMENT BOARD

15.1. The executive body of the Company is the Management Board headed by the Chairman of the Management Board.

15.2. Between General Meetings, the Management Board conducts all activities of the Company within the limits of its jurisdiction as set forth in this Charter.

The Management Board shall have the jurisdiction to decide all issues which have not been placed within the exclusive jurisdiction of other management bodies as determined by legislation of the Kyrgyz Republic or by this Charter.

15.3. The Management Board shall be the body authorized to manage the property that is in the Company's jurisdiction. The Management Board shall carry out the operational management of the Company and its divisions. The Management Board shall carry out its activity in accord with legislation of the Kyrgyz Republic, the provisions of this Charter, internal regulations and the decisions of the Board of Directors.

15.4. The Management Board shall be responsible to the Board of Directors and can be terminated by the Board of Directors.

15.5. Members of the Management Board shall be appointed by the Board of Directors at General Meetings.

15.6. No member of the Management Board shall simultaneously be a member of either the Board of Directors or the Audit Commission.

15.7. In case one or more Members of the Management Board shall be unable to fulfill the functions delegated to them, the Board of Directors shall appoint Substitute Members.

15.8. The remuneration for Members of the Management Board shall be determined by the Board of Directors.

15.9. Every year, the Management Board shall prepare an Annual Report, an annual balance sheet, and an income statement 30 (thirty) days before the date of the Annual General Meeting and shall make these documents available to the Board of Directors.

The Annual Report, the annual balance sheet, and the income statement must be signed by all Members of the Management Board and all Members of the Board of Directors. In case any signature is absent, a corresponding note shall be made which justifies such absence.

After obtaining these signatures, the Secretariat of the Board of Directors shall make these documents available to Shareholders 20 (twenty) days before the date of the Annual General Meeting.

15.10. The Management Board has the right:

15.10.1. to set the operational management policies for the transmission, distribution and sale of electric energy;

15.10.2. to determine the forms and methods of management;

15.10.3. to effect payments to the budget.

15.11. The Management Board has the authority to appoint and dismiss division managers of the Company.

15.12. The Management Board shall decide on the issues of wages and bonuses for employees.

15.13. The Management Board shall negotiate Performance Agreements with the State Energy Agency, as defined in the Energy Law of the Kyrgyz Republic of October 30, 1996 and present them to the Board of Directors for execution.

#### ARTICLE 16 -- CHAIRMAN OF THE MANAGEMENT BOARD

16.1. The Chairman of the Management Board shall be appointed by the Board of Directors.

16.2. The Chairman of the Management Board shall coordinate the management activities of the Management Board.

16.3. The Chairman of the Management Board shall carry out his activity in strict accord with legislation of the Kyrgyz Republic, this Charter, internal regulations and the resolutions of the Board of Directors.

16.4. The Chairman of the Management Board shall submit the structure of the Management Board for approval to the Board of Directors.

16.5. The Chairman of the Management Board shall determine the staff of employees and the conditions of their hiring and dismissal.

#### ARTICLE 17 -- SECRETARIAT OF THE BOARD OF DIRECTORS

17.1. To organize the work of the Board of Directors, a Secretariat of the Board shall be created.

17.2. The Secretariat shall keep the following records on file as well as others:

17.2.1. this Charter, normative documents and acts regulating the relations within the Company;

17.2.2. the list of persons having powers of attorney to represent the Company;

17.2.3. the minutes of the meetings of the General Meeting, Board of Directors and Management Board.

17.3. Under the supervision of the Board of Directors, the Secretariat shall perform any necessary updating of registrations and other legally required tasks.

#### ARTICLE 18 -- AUDIT COMMISSION

18.1. The Audit Commission shall be elected by the General Meeting for the purpose of assuming control over the financial and business activity of the Company.

The procedure for auditing the activity of the Company is determined by legislation of the Kyrgyz Republic and by this Charter. Upon demand by the Audit Commission, officials of the Company shall be obligated to provide the Company's financial and business activity documents.

18.2. No member of the Board of Directors or the Management Board shall simultaneously be a member of the Audit Commission.

18.3. An audit of the financial and business activity of the Company shall be performed annually, or at any time upon the initiative of the Audit Commission, the General Meeting, the Board of Directors or at the demand of Shareholders holding in total at least 10 (ten) percent of the voting shares.

18.4. The Company may hire a reputable professional auditor who has no property interest in the Company (an independent auditor) to audit and verify the accuracy of the financial reports.

18.5. The Board of Directors cannot approve the Company's financial statements for submission to the General Meeting unless the Audit Commission's conclusions are included.

18.6. The Audit Commission has responsibility for the audit report and cannot delegate this responsibility.

18.7. The Audit Commission may demand an Extraordinary General Meeting of the Shareholders or of the Board of Directors if its investigations reveal a threat to the interests of the Company or abuses or misconduct on the part of Company officials.

18.8. The Company covers the expenses of the Audit Commission in the amount approved by the Board of Directors.

18.9. The Company shall also create and maintain an internal auditing function on a full range of business activities. The internal auditors shall submit their reports to both the Audit Commission and the Management Board.

#### ARTICLE 19 -- PROVISIONS APPLICABLE TO ALL OFFICERS AND OFFICIALS OF THE COMPANY

19.1. The Officers of the Company are the Members of the Management Board, of the Audit Commission, and of the Board of Directors.

19.2. The Officers of the Company must act in the interests of the Shareholders.

19.3. No Officer or official of the Company shall take advantage of any business opportunity falling within the sphere of the Company's goal and activities without observance of the stipulations of this Article.

19.4. If an Officer or official has a financial interest in a transaction entered into by the Company, he must:

1) inform the Management Board and the Board of Directors in writing;

2) obtain written permission from a majority of both the Board of Directors and the Management Board before engaging in such a transaction.

19.5. For the purpose of this Charter, financial interest shall mean in particular the following:

- 1) when the Officer or official is an owner or creditor of, or has an employment relationship with a major supplier of goods or services to the Company, or when he is a major buyer or recipient of goods or services produced or provided by the Company;
- 2) when the Officer or official is an owner or creditor of, or has an employment relationship with a physical or legal entity which either has been fully or partially created from assets of the Company or which has the right to receive profit from managing the property of the Company.

19.6. Officers and officials of the Company must not allow use of property or property rights of the Company for purposes which contradict decisions of the General Meeting or of the Board of Directors.

19.7. Officers and officials of the Company must refrain from founding or participating in any form of activity which competes with the Company, except in cases when this competition shall have been specifically allowed in writing by the majority of the Board of Directors.

#### ARTICLE 20 -- ACCOUNTING AND REPORTING

20.1. The Company shall keep operational and accounting records as well as statistical accounts and shall submit those required by legislation of the Kyrgyz Republic to the relevant state authorities in accord with the established procedures.

20.2. The fiscal year shall begin at the date of the Company's registration with the State and shall end on the 31st day of December of the same calendar year. The subsequent fiscal years shall correspond to the calendar year.

20.3. The Company's accounting activities shall be exercised in conformity with the goal and objectives of the Company.

20.4. The Company must keep separate accounts for each of its major activities: distribution and sale of electricity, purchase of electricity, and wheeling through networks.

20.5. The organization of an effective system for book-keeping, accounting and reporting shall be established by the Management Board in accord with legislation of the Kyrgyz Republic and must be kept current.

20.6. The Chairman of the Management Board and the Chief Accountant shall be personally responsible for the maintenance and accuracy of the accounting system and the accounting.

## ARTICLE 21 -- DISTRIBUTION OF PROFITS

21.1. The gross and net profit of the Company shall be determined in accord with procedures set forth in the relevant legislation of the Kyrgyz Republic.

21.2. The net profit of the company (after payment of all taxes) shall remain at the disposal of the Company and shall be distributed periodically to shareholders as dividends, transferred to the reserve fund, or kept as retained earnings and used for development of production activities or other purposes, as decided by the General Meeting.

In accord with the foregoing, any distribution of profit may occur only after adoption or approval by the General Meeting of the audited Annual Report, balance sheet, and income statement, which shall confirm the amount of profit, using International Accounting Standards, and that such distribution is authorized.

Any distribution of profits in violation of provisions of this Article must be refunded by the Shareholders.

21.3. A dividend is a portion of the Company's net profit distributed to a Shareholder in proportion to the number of shares he owns. The final amount of dividend for each common share shall be proposed by the Management Board to the Board of Directors and approved by the General Meeting. A dividend may not be more than that recommended by the Management Board, but it may be reduced by a General Meeting. The Company must pay out as dividends at least 25 (twenty five) percent of profits retained by the Company, in accord with legislation of the Kyrgyz Republic.

21.4. The Company shall not be allowed to declare and pay a dividend if payment of dividends will decrease the Charter Capital.

21.5. Dividends shall not be paid on unissued shares, shares issued but not sold or shares purchased back by the Company.

21.6. Payment of dividends shall be paid out by a bank-agent or by the Company itself in accord with legislation of the Kyrgyz Republic.

21.7. The Company shall declare the amount of dividend without subtraction of any taxes. However, the Company or bank-agent shall act as state tax-collecting agent and withhold the corresponding taxes from any dividends to Shareholders in accord with the Tax Code of the Kyrgyz Republic.

21.8. Dividends may be paid out in various methods: cash, check, payment order, or postal

order.

Shares acquired at least 30 (thirty) days before the officially declared payment date shall be entitled to dividends.

21.9. The Company shall establish a Reserve Fund for general purposes pursuant to Article 3 of this Charter, for an amount not less than 20 (twenty) percent of the Charter Capital.

21.10. Payments to the Reserve Fund must equal or exceed 5 (five) percent of the annual net profit of the Company until such time as the Reserve Fund equals not less than 20 (twenty) percent of the Charter Capital. If within 5 years after the establishment of the Company the Reserve Fund does not equal 20 (twenty) percent of the Charter Capital, payment to the Reserve Fund shall increase to 10 (ten) percent of the annual net profit of the Company until the minimum reserve requirement is satisfied.

21.11. The amount of payments in any specific year to the Reserve Fund shall be determined by a General Meeting.

## ARTICLE 22 -- REORGANIZATION

22.1. Reorganization of the Company (merger, consolidation, break-up, spin-off, and transformation) shall be carried out in accord with the Civil Code and other relevant legislation of the Kyrgyz Republic.

22.2. In a break-up or spin-off, the organizational-legal form of all legal successors shall be the same as the parent Company's before adoption of the reorganization decision.

22.3. A decision on reorganization of the Company shall be adopted by a General Meeting, which shall also determine the procedure and time periods of the reorganization. If the reorganization is the result of a judicial decision, the reorganization shall follow procedures set forth in legislation of the Kyrgyz Republic.

22.4. No types of reorganization of the Company shall be carried out earlier than 2 (two) months from the date of publication of a notice in the press in accord with provisions in Article 11. Creditors shall have the right, within three months after the reorganization, to make a demand for early termination or execution of respective obligations and reimbursement for damages caused to them by the Company.

22.5. In a reorganization of the Company, common shares cannot be exchanged for other property or property rights, other than common shares in a new, merged, spun off, or successor company.

## ARTICLE 23 -- SUBSIDIARIES, BRANCHES, AND REPRESENTATIVE OFFICES

23.1. The company may create subsidiaries, branches and representative offices in accord with legislation of the Kyrgyz Republic.

23.2. A subsidiary shall act as an independent business organization and its relationships with the Company shall be contained in its Charter and shall be consistent with legislation of the Kyrgyz Republic.

23.3. Branches and representative offices are not legal entities. They rely on the Company's property for their fixed and current assets, act on the basis of resolutions approved by the Company, and carry out their activities on behalf of the Company. The Company shall be liable for the activities of a branch or representative office.

Directors of branches or representative offices shall act on the basis of a power of attorney issued by the Company.

## ARTICLE 24 -- LIQUIDATION OF THE COMPANY

24.1. The Company may be liquidated:

- 1) by a decision adopted by the General Meeting;
- 2) by a court decision in accord with legislation of the Kyrgyz Republic.

24.2. If the residual assets of the Company after liquidation are insufficient to compensate each shareholder for the par value of his shares, they shall be distributed to Shareholders in proportion to the par value of the shares held.

## ARTICLE 25 -- GENERAL PROVISIONS

25.1 If one of the provisions of this Charter becomes invalid, it does not affect the rest of the provisions.

25.2. Invalid provisions can be replaced, by amendment in the manner provided for in this Charter, with provisions that accord with legislation of the Kyrgyz Republic and are close to the original intent.