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THE LAW OF THE REPUBLIC OF ARMENIA

ON ENTERPRISES AND ENTREPRENEURIAL ACTIVITY

Chapter I

General Statutes

Article 1. The Purposes of the Law

This law prescribes the principles enterprise activity, the duties and obligations of entrepreneur organizational juridical types of enterprises, the foundations for creating them and continuing and stopping their activity.

Article 2. On Enterprises and Entrepreneurship Activity

The activity of the enterprise and entrepreneur is regulated by this law, by the civil code of the Republic of Armenia, by other legislative acts, by the by laws, and other constitutive documents of the enterprise, as well as by contracts.

If other regulations are prescribed by the international agreements of the RA, different from the ones prescribed by this law, then the international agreements rules are applied.

Article 3. The Spheres of the Application of the Law

This law regulates the activity of entrepreneurs and various types of organizational juridical enterprises.

The law is not applicable to:

- a) the activity of banks and financial institutions;
- b) works done by citizens according to civil-juridical agreements and paid in lump;
- c) citizens' independent creative activity in the realm of science, technology, art;
- d) the activity of administrative bodies.

Article 4. The Enterprise

The Enterprise is such an organizational entity which carries out entrepreneurship activity with the property belonging to it or to the owner (founder), in its behalf, or on the basis of an authorization, obtains property and personal non-property rights and obligations and is responsible for its obligations.

Article 5. The Owner (Founder) of the Enterprise

In the RA, the Republic of Armenia, other states, juridical persons of the RA and

other states, enterprises which do not have the status of a juridical person, citizens, person without citizenship have an equal right to be enterprise owner and founder except as otherwise prescribed by this law and the legislation of the RA on organizational-juridical types of enterprises.

Article 6. Enterprises with the Status of a juridical person and without the status of a juridical person

Enterprises with the status of a juridical person and those without the status of a juridical person are distinguished according to the degree of the subject rights separated from that of the owner (owners) and the degree of liability for the property.

The enterprise with the status of a juridical person is deemed independent subject as regards rights. The property, rights and duties are separated from other property, rights and duties of its owner (owners). such a juridical person is liable for the obligations of the enterprise with the status of a juridical person. The owner (owners) is not liable with any other property of his.

The enterprise without the status of a juridical person is not deemed a separated subject with rights different from those of its owner (owners).

The owner (owners) of such an enterprise is liable for the obligations of the enterprise with that property of his which is subject to confiscation under the legislation of the RA.

Enterprises with the status of a juridical person and those without the status of a juridical person have the same rights in the sphere of economic activity.

Article 7. The Entrepreneurship Activity

Entrepreneurship activity subjects (entrepreneurs) can be the individual entrepreneur, the owner (founder), or the body, authorized by him in an order prescribed by the legislation of the RA, to carry out entrepreneurship activity (the citizens of the RA and other states, person without citizenship, juridical persons and enterprises without the status of a juridical person).

Entrepreneurship activity is any economic activity carried out by entrepreneurs and not prohibited by the legislation of the RA.

Article 8. The Individual Entrepreneur

The individual entrepreneur is the physical person who in his behalf regularly carries out economic activity, renders services and performs jobs.

The individual entrepreneur gets a certificate from authorized state bodies licensing him to engage in corresponding entrepreneurship activity and carries out that activity on the basis of that license certificate, which is his registration document.

The person is not exempt from property and personal non-property obligations and liabilities for the transaction signed by him simply on account of his not being registered as an individual entrepreneur and not having an adequate certificate prescribed by the legislation of the RA. Foreign citizens or persons without citizenship can be individual entrepreneurs in the RA by the legislation of the RA on concerning the regulations of foreign investments.

The individual entrepreneur can engage in activity not prohibited to him by the legislation of the RA. The individual entrepreneur can engage in certain types of set economic activity prescribed by the legislation of the RA only if he has a special permission (license) he cannot have hired workers.

The individual entrepreneur has a right to membership for economic association of enterprise, to merge his means with any organizational-juridical type of enterprise in order to carry out activity not prohibited to individual entrepreneurs by the legislation of the RA.

Article 9. The Freedom of the Entrepreneur

The main principle of the entrepreneurship activity is the freedom of entrepreneurship including the freedom of the choice of the sides, signing contracts with the sides, determining prices for the production, work done and rendered services, owning, using and disposing property, hiring and dismissing employees, setting the payment within the legislation of the RA.

The entrepreneur as an individual entrepreneur, through the enterprise belonging to him or the enterprise allotted to him for use or disposal in an order prescribed by this law or other legislation acts of the RA, can carry out any economic activity not prohibited by the legislation of the RA.

Certain forms of entrepreneurship activity under the legislation of the RA can be defined as state monopoly or be prohibited from certain organizational-juridical types of enterprises.

In order to engage in different kinds of economic activity, it is necessary to have a license given in an order prescribed by the legislation of the RA.

Article 10. Founding the Enterprise

In the Republic of Armenia, an enterprise is founded:

- a) by the resolution of the owner or a body authorized by him;
- b) by the resolution of the owner, founder, recommender, in case they are different persons and provided the participation of the founder and/or recommender is prescribed by this law and by the legislation of the RA on founding the given organizational-juridical type of enterprise;
- c) by the staff of employees with the agreement of the owner.

The enterprise can be founded:

- b) as a newly-established enterprise, provided it is not the lawful successor of some other enterprise;
- c) on the basis of another enterprise (enterprises), being its (their) lawful successor.

An enterprise can be founded on another enterprise (other enterprises):

- b) through the separation of one or several departments from the functioning enterprise;
- c) through the merge (amalgamation) of several enterprises;
- d) by leasing it or transferring it to authorized management;
- e) by other forms not prescribed prohibited by the legislation of the RA.

An enterprise (enterprises) can be obligatorily created on another enterprise (other enterprises) in accordance with the requirements relating to antimonopoly, privatization and other legislative acts of the RA.

The form of property of the enterprise (enterprises) is determined by the property form of the base enterprise (enterprises) with the exception of privatization, nationalization and other such cases as prescribed by the legislation of the RA.

Article 11. The Constituting Documents of the Enterprise

Depending on the organizational-juridical type of the enterprise, its constituting documents can be the contracts on foundation, lease, authorized management, the charter, the regulations or minutes (act) of activity and other documents prescribed by the legislation of the RA. The constituting documents include the name of the enterprise, its location, the purposes, tasks and spheres of activity, the order of formation of property and the formation and

distribution of incomes, the management of activity, the terms of reforming and stopping the activity, as well as such other statutes as are not in contradiction with the legislation of the right depending on the characteristics of the given organizational-juridical type of enterprise.

Article 12. State Registration of Enterprises

All the enterprises, as well as departments, branches and representations operating on the territory of the Ra must be registered with a state body authorized by the RA, as prescribed by the legislation of the RA. The activity of an enterprise which is not registered is prohibited and the enterprise is amenable to legal proceedings under the legislation of the RA.

In case additions and changes are introduced in constitutive documents of the enterprise or the organizational-juridical type of the enterprise is changed, the owner or founder must within 10 days thereto inform the state body which has registered the enterprise of the new data or submit corresponding constitutive documents to the certified by the state registering body. To register the enterprise, the following documents are to be submitted:

- the application for registration signed by the founder (founders);
- the constitutive documents;
- the license to engage in the given activity, if required;
- other documents required for registering the given organizational-juridical types of enterprise under the legislation of the RA

The enterprise is deemed to be founded on its registration.

The registration of the enterprise is carried out by an authorized state body within 30 days on submitting all the required documents and entering them in the register book.

If changes or additions are made in the constitutive documents a fee is charged as prescribed by the legislation of the RA.

The registration of the enterprise by an authorized state body can be declined in the case of infringements of this law and other legislative acts of the RA, as well as in case the constitutive documents fail to meet the requirements of the legislation.

The registration shall not be rejected for any other reasons including the reason of undesirability.

If the founder (founders) do not receive an official rejection for registration within 45 days on submitting the documents as recorded in the register book, the enterprise shall be

deemed registered and the authorized body in charge of registration shall via the registration certificate as prescribed by the legislation of the RA.

In case the enterprise is not registered within the prescribed time as well as in case the registration is turned down, the founder can bring in a case to the court of law.

Article 13. The location (Address) of the Enterprise

The location (address) of the enterprise is the office of its administrative body, such as mentioned in the constitutive documents of which the authorized state registration body is duly informed.

The location of the enterprise is determined regardless where and in how many places the enterprise carries out productive and other activity, the location of the general managing staff.

The enterprise can change its location as prescribed by the constitutive documents.

The state registration body responsible for keeping the file of the enterprise shall be informed of the said change within 10 days thereto.

Article 14. The Beginning of the Productive Activity of the Enterprise

The enterprise cannot begin its productive activity or change the terms of its management if labor security and protection, antifire security, environmental protection and other requirements are not met prescribed by the legislation of the RA.

Chapter II

THE ORGANIZATIONAL-JURIDICAL TYPES OF ENTERPRISE

Article 15. Individual (Family) Enterprise

An individual enterprise is such an enterprise which does not have the status of a juridical person and lawfully belongs to the individual as his personal property.

A family enterprise is such an enterprise which does not have the status of a juridical person and belongs to the family member as well as other person as their lawful joint property.

Individual (family) enterprises, as a rule, operate on the basis of personal labor of the owner (owners). an individual (family) enterprise can hire employees.

Individual (family) enterprises can engage in any economic activity not prohibited to them by the legislation of the RA.

Individual (family) enterprise can be created by the citizens of the RA and foreign citizens, as well as persons without citizenship. The name of personal (family) enterprise is to contain the name of the owner (owners).

Foreign citizens or person's without citizenship have the same rights as the citizens of the RA in terms of founding an individual (family) enterprise.

The individual (family) enterprise owner has full property liability for the obligations made by the individual (family) enterprise, and vice versa, the liabilities for individual (family) enterprise owner's (owners') obligations refer to the enterprise property as well.

To create and register an individual (family) enterprise, the owner shall submit an application, and if necessary, also the license to engage in that activity.

Farm economy is a family or individual enterprise managing commodity production of marketable agricultural production.

The activity of farm economy is regulated by this law and by the law of RA on peasant and peasant collective economy.

Article 16. Economic Partnership

An economic partnership (full or commendatorily) is an enterprise without the status of a juridical person, founded on collective and mixed property and the labor participation of the owners.

A full member of an economic partnership has property liability to third persons

for the obligations of the economic partnership. All the members of a full-time economic partnership shall be full members.

A commendatory member of the economic business is liable to third persons with its share or a guarantee ? exceeding if a commendatory business includes at least one full-member and at least one commendatory member.

The constitutive document of an economic business is the constitutive contract which includes the enumeration of the business members, the work and/or property investments and on their basis their shares of participation in the business.

Juridical person (except state bodies) or non-juridical enterprises, citizens and persons without citizenship who have agreed to carry out joint enterprise activity or to support such activity can become members of an economic business.

A citizen can be a full member of only one economic business. The business shall not be a full member of another business.

Enterprises, organizations, citizens and persons without citizenship of other states can be member of an economic business in the RA, provided they are registered in a foreign economic register-book. for the state registration of foreign partners, the latter shall present all the documents required from the foreign participant of the enterprise.

Article 17. Industrial Co-operations

An industrial co-operative is a juridical enterprise founded on collective property in which the members shall have obligatory labor participation and is created with the purpose of gaining profit (income) or some other benefit.

Citizens of the RA and other states, as well as persons without citizenship can be members of individual co-operatives. Such a member can also invest property, which is registered, but does not entitle him to be on the managing staff of the industrial co-operative, nor have privileges in the distribution of the profit (income).

An industrial co-operative has right to hire employees by signing employment contracts with them, the number of such works being unlimited.

The constitutive document of the industrial co-operative is its bylaws.

The property of an industrial co-operative belongs to its members with common property rights. the industrial co-operative has property liabilities for its obligations. If the property is not sufficient, the member of the industrial co-operative shall be responsible for its obligations in accordance with their actual income in the industrial co-operative, such amount

being no less than the annual income, as prescribed by the bylaws of that co-operative. The profit (income) of the industrial cooperative is distributed as determined by the general meeting of its members, the investment of each member being taken into consideration.

After the liquidation of the industrial co-operation and liquidating all its obligations. The remainder of the property is distributed among the members of the industrial co-operative as set by its bylaws, the invested assets of each member taken into account.

Article 18. Consumers' (Service) Co-operative

Consumers' (service co-operatives are enterprises founded on collective property which have the status of a juridical person operating with the personal labor and/or property participation whose members are prohibited to have share from profit under the bylaws.

Citizens and/or rural economy can be member of consumers' (service) co-operatives consumers' (service) co-operatives are created to support the activity of their members and to render them services. Consumers' (service) co-operatives can carry out only such forms of activity as set by its bylaws and determined by the purpose of its creation.

A consumers' (service) co-operative may not be allowed to carry out certain types of activity prescribed by the legislation of the RA.

The constitutive document of a consumers' (service) co-operative is the bylaws.

The co-operative (service) co-operatives can have employees by labor contracts. The personal labor participation of its member and payment questions in the activity of the consumers' (service) co-operative are regulated by the bylaws of the co-operative.

The asset investments of the consumers' (service) co-operative are made in order to obtain the property necessary for its activity and/or to finance the expenses relating to its activity as set by the bylaws of the co-operative.

The members' property liabilities for the obligations of the consumers' (service) co-operative is limited to the amount of the property investment of its members to obtain the property necessary for its activity and to cover the expenses to keep up its activity.

The property of consumers' (service) belongs to its members with joint property rights.

After the liquidation of the consumers' (service) co-operative and liquidating all its obligations, the remainder of the property is distributed among the co-operative members as prescribed by its bylaws.

Consumers' (service) co-operatives shall not found any enterprise as well as departments, branches and representations.

Article 19. Collective Rural Economy

A collective rural economy is an enterprise with the status of a juridical person founded on collective and mixed property to provide the commodity production of marketable agricultural produce. The questions relating to a collective rural economy are regulated by this law and by the law of the RA "On Rural and Collective rural Economies".

Article 20. Shareholding Companies

A shareholding company is an enterprise with a status of a juridical person, with the obligatory property participation of its member founded on collective or mixed property. The statutory capital of the shareholding company is divided to parts in a prescribed quantity called shares by nominal value.

The statutory capital is that sum of money which on an order prescribed by the legislation of the RA is to be paid by the shareholders as an investment to become partners of the company for the shares they are due. The amount of the statutory capital is defined by the founders of the company on an order prescribed by the legislation.

A shareholding company must have at least two founders. If during the operation of the shareholding company only one founder is left then the company can carry on its activity as such.

Foreign citizens, enterprises, organizations and persons who have no citizenship are allowed to found shareholding companies and take part in shareholding companies enjoying equal rights with the citizens, enterprises and organizations of the RA.

The responsibility of the member of a shareholding company for the latter's obligations is limited to the nominal value of the participant's shares.

Before the registration of the company the order prescribed by the legislation of the RA the participants are to make financial investments and pay to the special account of the bank office.

Shareholding companies can be participants of limited liability companies or economic business of the RA and other countries, as well as founders of affiliated enterprises.

A shareholding company is deemed open if the shares are disseminated by free subscription and it is deemed closed if the shares are distributed only among the founders, without free subscription. The further circulation of stocks of the open shareholding company is

realized in an order prescribed by the legislation of RA through their free sale. The shares of closed shareholding company are not subject to free sale.

A variety of a closed shareholding company is the (public) enterprise belonging to the employees, whose shareholders are only the employees of the given enterprise. The constitutive document of a shareholding company is the regulations of its bylaws.

Article 21. A Limited-Liability Company

A Limited-Liability company is an enterprise with the status of a juridical person, founded on collective or mixed property, with the compulsory property participation of the proprietors.

A Limited-Liability company shall have at least two founders. If during the operation of the company only one founder is left the company can carry on its activity as such.

Foreign citizens, enterprises, organizations and persons without citizenship are allowed to found a limited-liability company and be members with the same rights allotted to them as the citizens, enterprises and organizations of the Republic of Armenia.

The statutory capital of a limited-liability company is the prescribed sum which, by the legislation of the RA, is to be paid as contribution to become participant of the company. the amount of the statutory capital is determined by the founders of the company in as prescribed by the legislation. The statutory capital is divided in amounts prescribed beforehand and shares of nominal value.

The responsibility of the member of a limited-liability company for the company's obligations is limited to the nominal value of its share or to the amount of the guarantee declared to be more than that value in as prescribed by the legislation of the RA.

Before the limited-liability company is registered as prescribed by the legislation of the RA the founders are to make financial investments for the special account of the bank institution.

The limited-liability company can be founder or participant of other companies or businesses in the RA and other states and it can also to found affiliated enterprises.

The members of a limited-liability company can, as prescribed by the legislation of RA, alienate their shares' only to the company.

A variety of a limited-liability company is the (public) enterprise which is the property of the employees and whose shares can belong only to the employees of the given enterprise.

The constitutive documents of a limited-liability company are the bylaws and the constitutive agreement.

Article 22. Social Service Enterprise

The Social Service Enterprise is such an open or closed enterprise which is deemed to be shareholding company whose activity is subject to special regulation by state governmental or authorized local authority bodies. Social service enterprises are allowed to carry out types of activity prescribed by the legislation of RA.

The authorized state body as prescribed by the legislation of RA specially regulates for social service enterprises:

- a) the volume of production, rendered services and work done, prices and the choice of consumers;
- b) the structure of material expenses and prices;
- c) the maximum number and sum of shares one participant is due;
- d) the procedure of selling the shares to the citizens including those working in the enterprise;
- e) the procedure of becoming a shareholder of juridical persons and of enterprises without the status of a juridical person;
- f) the minimum and or maximum rates of profit shares paid in stocks;
- g) the procedure of participation of physical and juridical persons of other states;
- h) the share belonging to the state (local authority) and the procedure of using it;
- i) other characteristics prescribed by the legislation of the RA.

According to the resolutions adopted by the government of the RA the authorized state (local authority) body can regulate the above as well as their combinations.

Enterprises obtain the status of a social service enterprise or are freed from that status by the resolution of the government of RA in an order prescribed by the legislation of the RA.

Article 23. State (local authority) Enterprise

State (local authority) enterprise is such an enterprise with the status of a juridical person, whose sole founder is the government of the RA or the state governmental (local authority) body authorized by the government of the RA.

The state (local authority) enterprise is created by the state (local authority) investments/means.

By the legislation of the RA certain spheres of activity can be prohibited to the state (local authority).

A state (local authority) enterprise can be founded as:

- a) a new-founded enterprise from the means of the corresponding budget;
- b) through reorganization of another state (local authority) enterprise;
- c) by nationalizing a non-state enterprise as prescribed by the legislation of the RA.

The constitutive documents of the state (local authority) enterprise are the regulations, which are certified by the founder.

Article 24. State Enterprises of Special Designation

A state enterprise obtains the status of special designation by the resolution of the government of the RA as prescribed by the legislation of the RA. A state enterprise of special designation is subject to direct government/administration by a state body specially authorized by the RA.

The status of a state enterprise of special designation depends on special requirements/demands for such production, organization of work, technological processes, security, which account for the necessity of centralized administration of the operation of the enterprise.

The government of the RA in an order prescribed by the legislation of the RA can pass a resolution on liquidating the status of special designation in the lack of corresponding requirements and conditions.

The activity of the enterprise of special designation and its relations with the authorized state body are regulated by the regulations/bylaws statutes of the enterprise, which is certified by the government of the RA.

Article 25. Affiliated Enterprise

An affiliated enterprise is such an enterprise which is a juridical person whose whole property by property right belongs to another enterprise which has the status of a juridical person, as well as to a social/public or religious organization.

The right to found an affiliated enterprise belongs to enterprises founded on collective property, non-profit organization and state enterprises of the RA and other countries.

State (local authority bodies) enterprises of the RA can found affiliated enterprises belonging to the state (local authority bodies) by the permission of authorized state governmental (local authority body).

By the legislation of the RA the types of activity prohibited to the corresponding parent enterprises or organizations is also prohibited to its affiliated enterprises.

The name of the affiliated enterprise shall contain the name of the founder.

The constitutive document of the affiliated enterprise is the bylaws charter/regulations certified by the founder. In cases prescribed by the legislation of the RA also a license carrying out certain types of activity, and according to part 3 of the present article also the corresponding permission. To register the affiliated enterprises of juridical persons of other countries the founder is to submit the documents required by the legislation of the RA for registering the enterprises belonging to enterprises, organizations and citizens of other states.

Article 26. Joint Venture/Enterprise

A joint enterprise is the one founded on collective and mixed property, which is a juridical citizen/person with the compulsory/obligatory investment of property and (or) hard on the part of foreign citizens, enterprises or organizations.

By/Under the legislation of the RA the minimum investment amounts by the foreign partner and statutes capital necessary to obtain and maintain the status of a joint enterprise Joint Enterprises are created in form of companies and operate as such.

Joint Enterprises under the legislation of the RA obtain tax, duty, profit transference and other such privileges.

Joint Enterprises are created and operate under this law and the legislation of the RA on Joint enterprises.

The constitutive documents of a Joint Enterprises are the bylaws and the constitutive agreement.

Article 27. Enterprises Belonging to Foreign Enterprises, organizations and citizens

On the territory of the RA under this law and the legislation of the RA on state registration and organizing-juridical types of enterprises all kinds of organizing-juridical types of enterprises belonging to the enterprises, organizations and citizens of foreign states, allowed under this law, can be registered with the state and engage in enterprise activity.

For these enterprises tax, duty and other privileges are provided under the legislation of the RA. In case these have a status of a juridical person, they enjoy the same privileges as joint enterprises.

Article 28. Leasing Companies

Under the legislation of the RA the property of state (local authority) enterprise or its department/branch can be leased:

- a) to its staff of workers, by priority right
- b) to other persons by competition/contest or auction

Leasing companies are created under the legislation of the RA by a state (local authority) enterprise's or any of its branch's staff of workers in the form of taking their property on lease. To create such an enterprise it is necessary to have the agreement of a state governmental (local authority) authorized body who is the leaser. The leasing company can be created as a production/an industrial co-operative or business (public enterprise).

The relations between the leasing company and the leaser are regulated by a lease agreement signed by the, which mentions the term of lease, the liability of a leasing company for the obligations of third persons before the creation of the company, the structure and cost of the leased property, the amount of rent, the rights and duties of the sides as regards the use, repair and restoration of the property, the property liability of the sides as well as other points which are necessary to effect the agreement.

State (local authority) enterprise whose property is leased can, by the agreement of the corresponding state (local authority), be the guarantor of a leasing company.

Leasing the state (local authority) property does not imply the transference of property right except for the cases provided by the legislation of the RA on privatization of property.

The leasing company is a juridical person founded on collective property and compulsory labor/job/work participation of its members. A leasing company has right to lease/give the property, in its term, by the agreement of the leaser, except if otherwise provided by the legislation of the RA.

The constitutive documents and regulations/charter of the leasing company is the agreement.

Article 29. Non-profit Organization

A non-profit organization is such enterprise with a status of a juridical person, whose owner is prohibited under regulations to get profit from the invested property.

The non-profit organization can be founded by one person (family) as an enterprise with a status of a juridical person, or by the enterprise as its affiliated enterprise and by several persons (including juridical) as a limited-liability company.

Non-profit organizations under the legislation of the RA are prescribed/allowed certain spheres of activity. The spheres of the activity mentioned in the bylaws/regulations/statutes must provide the activity of a non-profit organization.

The non-profit organization under this law can found an affiliated enterprise to provide the statutory/constitutive activity. The non-profit organization shall not participate in such associations of profit/enterprises.

The non-profit organization can spend its income only with the purposes related to its statutory/constitutive activity.

The name of the non-profit organization must indicate that it is non-profit and the sphere of its activity. The names of the founder (founders). The words "capital" or "charity capital" are allowed to be used in case they are in accordance with the statutory/constitutive activity of the non-profit organization.

The constitutive document of the non-profit organization is its charter/regulations/statutes/bylaws, and in case it is a limited-liability company's also its constitutive/statutory agreement.

Article 30. Economic Associations of Enterprises

The enterprises and individual entrepreneurs of the RA can voluntarily found and take membership of the economic associations of the RA and intra-state economic associations (concerns, other association) to present their interests to support the enterprise activity and for other purposes.

In the RA all the types of organizing-juridical enterprises allowed/permitted by the legislation of the RA can be members of the economic associations of enterprises.

In the RA, the economic association of the enterprise is a juridical person at the wish of its founders, which is to be mentioned in the charter of the association. The association/the latter can be made responsible for certain functions related to these enterprises.

The economic association of enterprises can be authorized by its members to carry out independent activity, including the foundation/creation of affiliated enterprises in its behalf/name, be member/partner of the enterprises founded on collective or mixed property.

The state (local authority) enterprises of the RA take partnership of the economic associations of enterprises by the permission of the authorized state (local authority) body, provided the membership conditions by the legislation of the RA are met.

The creation of an economic association of enterprises in the RA deems necessary the involvement of at least two founders.

The enterprises taking membership of any of economic association of enterprises maintain their self-sufficiency/independence, the organizing-juridical type and the present law is applied to them.

Enterprises are free to come out of the economic association of enterprises if they have liquidated their obligations to the association and its members.

The economic association of enterprises can be created as a non-profit organization, closed shareholding and limited-liability company.

The name of the economic association of enterprises is to contain the organizing-juridical type.

The constitutive documents of the economic association of enterprises are the constitutive agreement and the regulations/charter/bylaws which must define/specify the purposes of the creation of the association, its main tasks and the methods of their implementation, the spheres of activity, the sources of property, the relations with the members, the procedure of becoming a member and secession/withdrawal, liquidation, distribution of property among its members and information on its founders and members.

Article 31. Enterprises Operating by Guaranty

The enterprise operating by guaranty is not deemed an independent organizing-juridical type of enterprise. The enterprise obtains the status of an enterprise operating by guaranty, if it operates by the guaranty of an enterprise which is a juridical person. Bank offices and financial institutions can be guarantors on a prescribed order. Social/public organizations can be guarantors only for their affiliated enterprises.

Bank offices, financial institutions and state enterprises can act as state (local authority) enterprises by the agreement of a state governmental authorized body.

State (local authority) enterprises can act as guarantors for enterprises of other forms of property only in cases prescribed by the legislation of the RA.

The name of the enterprise operating by guaranty must contain the name of the guarantor.

The guarantor can have property investment in the enterprise operating by guaranty, but cannot limit its independence being a guarantor.

The guarantor is for the obligations of the enterprise operating by guaranty in the cases when all the means of that enterprise or its owners are exhausted (if the enterprise operating by guaranty does not have a status of a juridical person).

The degree of the responsibility/liability of the guarantor can be limited to the sum declared before hand or be complete, including all his property.

The guaranty can be made for a definite period of time defined before hand or without it.

The relations between the guarantor and the enterprise operating by guaranty regulated by this law and guaranty agreement which contain the period of guaranty time, the degree of guarantor's liability, the procedure of resigning? from guaranty and being guaranteed and other points not contradicting this law.

Guaranteeing and its conditions/terms, withdrawal from guaranteeing and being guaranteed the termination of the terms of guaranty, as well as other forms of termination of the agreement/contract must be registered with the state registering authorized body under the legislation of the RA.

Article 32. Authorized Management and Enterprise of Authorized Management

Authorized management is the independent management of property belonging to one person by another person for the benefit of a third person. The person (including the juridical person) who carries out the authorized management is an authorized owner.

The founder of authorized management is deemed to be that person (including the juridical person, authorized state or local authority) who transfers the property to authorized owner selected/chosen by him, defines the procedure and terms/conditions of that management, chooses that physical or juridical person (including himself) who gets benefit from authorized management and defines/determines the procedure in accordance with which that person must benefit from the results of authorized management.

Only the owner of the property can act as founder of authorized management and in the case of state (local authority) property the founder is the authorized body state governmental (local authority).

The authorized owner gets reward/compensation prescribed and regulated by the authorized management agreement. The authorized owner has complete property and non-property liability for neglecting his obligations if no other provision is made in the authorized management agreement.

The relations between the founder of authorized management and authorizing owner are regulated by an authorized management agreement signed by them, the agreement must reflect the inventory of the property allotted to authorized management, the conditions and restriction of its management, the ?, obligations and liabilities of the authorizing owner, the procedure of compensation of expenses and required, the rights of the person benefiting from the results of authorized management the time of operation and termination of the agreement of authorized management, other conditions necessary for effecting the agreement on authorized management.

By the choice of the founder of authorized management a physical person, any type of organizing-juridical enterprise, bank office, or financial institution or another organization can act as authorized owner.

The enterprise of authorized management is not an independent organizing-managing type of enterprise. The enterprise obtains the status of authorized management, if it takes over the function of authorized management. its constituent documents are the statutes/regulation/charter certified by the founder of authorized management and the authorized management agreement.

The founder of authorized management can under the legislation of the RA create a special enterprise (holding) with the status of a juridical person to effect the functions of authorized management.

Article 33. The separated Branches/Subdivisions of the Enterprise

Separated branches of enterprise are deemed such separated territorial and functional departments, branches, and representations, which are not self-sufficient/independent enterprises, do not have the status of a juridical person and a separate account, but are authorized to carry out independent enterprise activity.

Any organizing-juridical types of enterprises of the RA and other states can create departments, branches and representations in the RA.

The activity of departments, branches and representations is regulated by the

procedure/statutes certified by their founder.

The issues relating to the location of departments, branches and representations are agreed with the state governmental (local authority) bodies in the order prescribed by the legislation of the RA on enterprises.

Article 34. The Small Enterprise/Business

The small enterprise is such enterprise with the status of a juridical person which, in the sphere of industry and construction has no more than 200 in the sphere for material productions more than 50, on service more than 50 and in other spheres more than 25 employees/workers.

Under the legislation of the RA small enterprises can be provided with privileged economic conditions of activity. The small enterprise is not an independent organizing-juridical type of enterprise and it is created as prescribed for the corresponding organization-juridical/legal type of enterprise.

By the legislation of the RA other characteristics of a small enterprise can be prescribed, depending on the main means value or the volume of production.

Chapter VII

The Enterprise And The State

Article 59. The State Regulation of Enterprise Activity

The RA, in the person of state and government bodies authorized by the legislation of the RA, regulates the enterprise activity, prescribing and regulating the procedure of tax paying and percentages/rates, incomes for certain kinds of bonds, the foreign currency course, the norms of amortization and other allotments, obligatory insurance norms as well as by setting privileges or imposing bans and punishment means for certain spheres of the activity of the enterprise.

In the RA the prices shall be free on the basis of the proportion/ratio of the corresponding production, work or service in terms of suggestion/offer and demand. The state governmental authorized body can prescribe/set fixed prices or decide on the top limits of their change for the production, works and services of vital/prime need and vital importance by the strictly limited list certified by the government of the RA.

The foreign economic policy of the enterprise is regulated by the state governmental authorized bodies by defining the procedure of duty control and duty payments, by licensing certain/particular foreign economic functions/businesses, by defining the currency course and applying currency restrictions, by taking antidamaging measures, by the obligatory insurance requirement of foreign economic functions/businesses as well as by taking other measures.

Article 60. Allotting State Means To Enterprises

The authorized state governmental (local authority) bodies can allot means to enterprises, regardless of their property form and organizational-juridical type, from republican (local) development programs, from republican (local) budget, from special designated funds or other sources as direct investments, credits, gifts or other forms for good or as loans.

The state means, on conditions disclosed beforehand, including competition/contest are allotted to those enterprises whose activity is carried out in spheres of priority in the RA.

The allotment of state means to enterprises is made by contract. The authorized state governmental body is obliged to control the expenditure of those means from time to time and in case they are used inefficiently or not for the designated purpose to bring in legal proceedings against the enterprise and/or their officials in an order prescribed by the legislation of the RA.

Article 61. State Order

The authorized state (local authority) bodies provide conditions for the enterprises of the RA and other states to participate in the implementation of programs of republican (local)

significance including by state orders.

The state order is prescribed by a contract signed by the authorized state (local authority) body and is paid from republican or local budget.

It can prescribe supplying the enterprise or in behalf of the enterprise supplying other consumers with production, doing work or rendering services in the terms volumes and at prices fixed beforehand.

In state (local authority) social service enterprises the state order, in an order prescribed by the legislation of the RA, can be entered obligatorily, but it cannot extend to all the production works and services of the enterprise without the agreement of the latter, except the strictly restricted list of production, works and services provided/prescribed by the legislation of the RA. The state order obligatory for the production, works and services on that list is obligatory also for other enterprises of the RA specialized for producing that production, doing work or rendering services.

The terms of the state body must provide at least the average branch level of extended reproduction and profitability. In accordance with the spheres of activity the maximum amounts/sizes of the state order expressed by the percentage of maximum capacity of the enterprise production is prescribed by the legislation of the RA.

Article 62. Preventing The Unscrupulous Contest Of Enterprises

The RA provides conditions for competition between the enterprises on the territory of the RA and for preventing the unscrupulous competition and monopoly in owner/home and foreign markets.

In case the unscrupulous competition of other enterprises in home and foreign markets has damaged/done harm to the enterprise registered will the state of the RA, the authorized state governmental body must take measures to stop the unscrupulous competition or apply to the authorized body of another state with corresponding request, regardless of the complaint made by the damaged enterprise. The harmed enterprise can bring in a case to the court of law to compensate for the damage.

Article 63. The Insurance Of The Enterprise Activity

The enterprise shall insure its property in the state insurance bodies or another insurance institution in accordance with the provisions made by the legislation of the RA. The state (local authority) or social service enterprise or those enterprises with 10 or more percent of the property belonging to the state (local authority) shall insure the property with state or insurance institution deemed trusted by an authorized state governmental body of the RA.

Article 64. The Provisions/Conditions/Terms For Using State (Local Authority) Property

The enterprise has a right to use the state (local authority) property submitted to its disposal by the state (local authority) body in an order prescribed by the latter for the given enterprise which shall not contradict this law and the legislation of the RA on organizational-juridical types of enterprises.

The enterprise shall care for the protection and efficient use of the state (local authority) property allotted to its disposal. The state (local authority) property can be diminished only in such cases and such order as prescribed by the legislation of the RA.

The enterprise makes payment to the corresponding budget for using state (local authority) property, in an order, terms/dates and rates as prescribed by the legislation of the RA. If in enterprises of economic businesses or organizational-juridical types of corporation the state property is deemed state share then no payment is imposed for using state (local authority) property. The rates can differ, depending on the sphere of activity or location of the enterprise.

State (local authority) enterprises can use the percentage rates or part of it (no less than half of it) in the enterprise to the end of adding state (local authority) property with the permission of the authorized state governmental (local authority) body.

Article 65. The Investments Of The Financial Resources Of State (Local Authority Bodies)

To invest the financial resources of state (local authority bodies) at its disposal outside/without the RA, the enterprise shall obtain permission from an authorized state governmental (local authority) body.

The state (local authority bodies) financial resources at the disposal of the enterprise which it invests or in a way not prohibited by the legislation of the RA allots to another enterprise or organization cannot/shall not exceed half of the general resources at the disposal of the enterprise.

If this restriction is infringed by the enterprise the authorized state governmental (local authority) body can demand the return of the state (local authority bodies) financial resources invested in other enterprises to the state (local authority bodies).

Article 66. The Relationships Of The Enterprise With Local State Authority Bodies

The relationships of the enterprise with local authority bodies are decided by this law, by the law on the local authority bodies and other legislative acts of the RA.

The local authority bodies can establish enterprises with the property at their

disposal and manage/administer and regulate their business in an order provided by the legislation of the RA as well as be partners of other enterprises.

The local authority bodies can within rights/their jurisdiction prescribed to them grant privileges for enterprises on their territory within their administration.

Article 67. The Lawful Supervision/Superintendence Of The Enterprise Activity

The lawful supervision of the activity of the enterprise which includes the control of lawfulness/legal of the constituent documents of the enterprise and contracts signed by them is carried out by the state authorized body.

In realizing supervision, the authorized state body has a right to suspend completely or partly any constituent document of the enterprise, the signed contract, including the employment contract in contradiction with the legislation of the RA, as well as the resolution appealed by a managing body or control committee or controller or a resolution brought to his notice in some other way.

The authorized state body must examine the constituent document, contract or resolution in contradiction with the legislation of the RA and adopt a resolution in an order prescribed by the legislation of the RA for discontinuing or continuing its operation within 30 days after suspending it. Otherwise, on the expiration of its term it comes into force.