

'Approved'
State Committee for Securities
of the Republic of Azerbaijan
Resolution № 14-q
03 February 2016
Chairman

Rufat Aslanly

Regulations on issuance and conversion of investment securities during reorganization of legal entities

1. General provisions

1.1. These Regulations have been developed in accordance with Article 3.7 of the Law of the Republic of Azerbaijan 'on the Securities Market' (hereinafter – the Law) and determine procedures for issuance and conversion of investment securities (hereinafter – securities) during reorganization of legal entities.

2. Decision on issuance of securities

2.1. In case of reorganization, a decision to issue securities is made by the general meeting of participants (shareholders) of the newly organized legal entity resulting from reorganization according to decisions of reorganized legal entities on reorganization.

2.2. The decision on issuance of securities should include the following:

2.2.1. full name and address of the issuer;

2.2.2. the date the decision on issuance of securities is taken;

2.2.3. the name of the managerial body of the issuer that took the decision;

2.2.4. the type of securities;

2.2.5. par value of securities, number and total amount of securities included in the issuance;

2.2.6. in case secured bonds are issued, information on their securitization;

2.2.7. the rights of the security owner to one security;

2.2.8. liabilities of the issuer due to securities owner;

2.2.9. the method and procedure for placement of securities;

2.2.10. start and end dates of securities placement;

2.2.11. conditions and procedure for payment of the value of securities.

2.3. The rights established by shares in the decision to issue shares should comply with the provisions of the charter of the joint-stock company that made the decision on the rights established by such shares.

2.4. The rights established by bonds in the decision to issue bonds should be the same as the rights established by the bonds to be converted into them.

3. State registration of issuance of securities

3.1. The issuer applies to the State Committee for Securities of the Republic of Azerbaijan (hereinafter – the Committee) for state registration of securities issued during reorganization of legal entities. The application (Annex № 1) is submitted by mail or through a special electronic service unit in the official Internet information resource of the Committee. The following documents are attached with the application:

3.1.1. a decision on every issuance of securities;

3.1.2. extracts from minutes of general meetings where decisions on reorganization of reorganized legal entities have been made, reflecting quorum and results of voting on those decisions;

3.1.3. copies of the certificate on state registration and the charter of the issuer as a legal entity notarized or approved in accordance with the procedure established by Article 9 of the Law of the Azerbaijan Republic 'on Administrative Proceedings';

3.1.4. in case of merger, acquisition or transformation – a copy of an acceptance act;

3.1.5. in case of dissolution or separation – a copy of a dissolution balance;

3.1.6. a written notice of the person who provided collateral on validity of collateral on the bonds to be converted during placement of secured bonds or a copy of the document confirming provision of new collateral in case of termination of such collateral.

3.2. In case of merger, dissolution, separation or transformation, documents for state registration of securities issue should be submitted to the Committee not later than one month from the date of state registration of the newly established legal entity as a result of reorganization.

3.3. In case of a merger, documents for state registration of securities issue should be submitted to the Committee no later than one month from the date of entry in the state register of legal entities of the notice on termination of the legal entity it is a party to.

3.4. Documents submitted to the Committee are presented by the issuer on paper or by means of an electronic document prepared in accordance with the requirements of Laws of the Republic of Azerbaijan using a special electronic service section of the official Internet information resource of the Committee

3.5. Documents submitted for state registration of securities issue are reviewed within 15 (fifteen) business days from the date of their submission, and if there are no grounds for refusal of registration, the issuance of securities is registered.

3.6. Upon state registration of a securities issue, the Committee gives to the issuer an extract from the state register of securities on state registration of the securities issue.

3.7. State registration of issuance of securities is refused if:

3.7.1. the documents specified in Item 3.1 herein are not submitted;

3.7.2. it is discovered that the decision on issuance of securities (other documents that are the basis for state registration of the issue of investment securities) contains inaccurate or distorted information;

3.7.3. the report on results of the previous issuance of issuer's shares is not approved (when applying for state registration of the share issue).

3.8. In case the circumstances specified in Item 3.7 herein occur, the Committee should make a reasoned decision to refuse the state registration of the issue of securities and send this decision to the issuer within two working days.

3.9. The decision to refuse to register the issuance of securities may be appealed in an administrative or judicial order.

3.10. Shares of a merged joint-stock company may not be converted into the shares repurchased by the main joint stock company.

3.11. Repurchased shares of the merged joint-stock company are withdrawn from circulation without being converted into the shares of the main joint-stock company.

3.12. Repurchased shares of a reorganized joint-stock company in the form of a merger or dissolution are withdrawn from circulation without conversion into shares of the newly formed joint-stock company as a result of such reorganization.

3.13. Repurchased shares of a reorganized joint stock company in the form of separation cannot be converted into shares of a newly established joint stock company as a result of such reorganization.

3.14. During reorganization, conversion of shares into bonds and bonds into shares, common shares into preferred shares, preferred shares into common shares, as well as conversion of shares of a reorganized limited liability company, full or limited partnership into bonds or preferred shares is prohibited.

3.15. Authorized capital of a joint-stock company established as a result of a merger may not exceed the authorized capital of legal entities participating in reorganization.

3.16. Authorized capital of a joint-stock company newly established as a result of separation or dissolution is formed by reducing authorized capital of the reorganized legal entity by an appropriate amount.

3.17. Authorized capital of a joint-stock company newly established as a result of a transformation may not exceed the authorized capital of the reorganized legal entity.

3.18. When placing securities, their issuer should ensure their registration by the Central Depository

4. Report on results of issuance of securities

4.1. In case of merger, dissolution, separation or transformation, the issuer should submit a report on results of the issue of securities to the Committee for approval no later than 3 (three) months from the date of state registration of the securities issue.

4.2. In case of a merger, the issuer should submit to the Committee for approval the report on results of the issue of securities no later than 3 (three) months from the date of inclusion of the note on termination of activities of the merged legal entity in the state register of legal entities.

4.3. The Issuer should submit to the Committee a copy of the certificate on placed securities submitted to it by the Central Depository and a report on results of the issue of securities (Annex №2) by mail or through a special electronic service section in the official Internet information resource of the Committee.

4.4. The Committee reviews the report on results of the issue of securities within 15 (fifteen) days and approves it in the absence of grounds for refusal specified in Item 4.6 herein and provides an extract from the state register of securities to the issuer.

4.5. After approval of the report on results of the issue of securities, the Central Depository withdraws the converted securities from circulation.

4.6. In case of violation of the terms of issue of securities, as well as the requirements of Chapter II of the Law, when reviewing the report on results of the issue of securities, the Committee should take one of the following decisions, indicating the grounds:

4.6.1. on elimination of the violations by the persons who committed violations within the established timeframe;

4.6.2. on refusal to approve the report on results of the issue of securities, if it is impossible to eliminate the violations.

4.7. In case the decision specified in sub item 4.6.1 herein is taken, the person who committed the violation should submit to the Committee a report on elimination of such violations within the period set by the Committee, together with relevant supporting documents. If the Committee determines that the violations have been removed from the report, it approves the report on results of the securities issue, if the violations have not been eliminated or the report has not been submitted at all, it makes the decision provided for in sub item 4.6.2 herein and informs the issuer accordingly.

4.8. Refusal to approve the report on results of the issue of securities is the basis for considering the issue of securities as failed. The issuer should ensure the return of funds received from placement of securities to investors within ten working days from the date of publication by the Committee of information on failure to issue securities.

4.9. The issuer may appeal against the refusal to approve the report on the results of the issue of securities in administrative or judicial order.

**APPLICATION
FOR STATE REGISTRATION OF ISSUANCE OF SECURITIES**

(full name of the issuer)

(the name of the body determined by the charter of the issuer that has made the decision on issue of securities)

is asking you to state register _____ (the type of security; whether bonds are secured and circulation period) to be placed in accordance of the decision on issuance of securities (the number and date of the protocol).

Issuer's location:

(address and zip code, contact and fax numbers)

Head of the collegial or sole executive body of the issuer:

(position)

(signature)

(1st, last names)

STAMP

Date: ' ___ ' _____ 20 ____

REPORT ON RESULTS OF ISSUANCE OF SECURITIES

Full name of the issuer: _____

State registration No and date of issuance of securities _____

Type of securities: _____

Par value and amount of securities: _____

Quantity of placed securities: _____

Term of placement of securities _____

Issuer's address (indicate contact numbers, long distance phone codes) _____

Head of the collegial or sole executive body of the issuer (position, 1st, last, middle names): _____

signature

STAMP