

CORPORATIONS AND LIMITED LIABILITY
COMPANIES LAW
OF
AFGHANISTAN

In the Name of Allah, the compassionate, the merciful

CHAPTER 1

GENERAL PROVISIONS

ARTICLE 01: Purpose

This Law is enacted in light of the Constitution of Afghanistan for regulating the affairs related to the creation and activities of corporations and limited liability companies.

ARTICLE 02: Having License

No person can transact business or advertise as a corporation and limited liability company in Afghanistan without having a business license registered in the Central Registry.

ARTICLE 03: Scope of Application

The provisions of this Law shall apply to a limited liability company, provided that:

- 1. The shareholders of the limited liability company are neither less than 2 nor more than 50 persons.**
- 2. Shares of the limited liability company are not purchased or sold in a public stock exchange.**
- 3. The shareholders of the limited liability company are not authorized to sell, transfer or exchange the company.**

ARTICLE 04: Definitions

In this Law the following terms shall have the meanings set forth below:

- 1. “Corporation” is a business company whose capital is definite and divided into shares, with the share and responsibility of each shareholder limited to the proportion of his share.**
- 2. “Limited Liability company”; “Limited” is a business company whose capital is not divided into shares with the responsibility of each shareholder limited to the amount of capital agreed to [by such shareholder] in the company.**
- 3. “Articles of Incorporation”: means any document prepared by the founders or shareholders according to provisions of this Law for the purpose of legitimizing their activities. Articles of Incorporation shall include:**
 - (1) The original charter;**
 - (2) All amendments to such charter; [and]**
 - (3) Certificates of merger of two or more companies.**

When the Articles of Incorporation have been restated pursuant to any Articles of Amendment or Merger, it does not include the accompanying Articles of Amendment or Merger.

- 4. "Authorized Shares" means the Shares that any Domestic or Foreign Corporation is authorized to issue.**
- 5. "Share" means the unit into which the capital of a Corporation is divided.**
- 6. "Shareholder" means the Person in whose name Shares are registered in the Central Registry of Shares of the Corporation, and is the beneficial owner of Shares to the extent of the rights granted in a registered bidding document filed in the Central Registry of the Corporation, or the beneficial owner of Shares, who assigns his voting rights to a third party [owner of shares held in a Voting Trust].**
- 7. "Share Class" means a group of similar shares which confer the same rights on the holders of such shares [the shareholders].**
- 8. "Dividend" means a part of the company's net earnings that are distributed to Shareholders in accordance with the rights determined for each kind and class of shares.**
- 9. "Redeemable Share" means a Share that may be redeemed at the option of the Shareholder.**
- 10. "Capital Stock" means the total par value (face value) of all shares offered by the company.**
- 11. "Reserved Capital" means the total capital collected for each single share of the company from the beginning to the end. [sec]**
- 12. "Certification" means the verification of the Central Registry concerning effectiveness of the Articles of Incorporation, which is issued upon registering it at the Central Registry.**
- 13. "Derivative Action" means any civil proceeding by a Shareholder on behalf of the interests of the Corporation.**
- 14. "Central Registry" means the agency for registering the documents related to domestic and Foreign Corporations.**
- 15. "Commercial Court" means the authorized Commercial Court of Afghanistan.**
- 16. "Domestic Corporation" means for the purpose of this Law a Corporation that:
 - is authorized by law to issue shares, irrespective of the nature of [its] business,****

- is organized under this Law or existing pursuant to the previous laws of Afghanistan,
 - by virtue of Articles of Incorporation, Amendment, or merger, has become a domestic Corporation. A foreign Corporation organized under laws of foreign companies that operate in Afghanistan shall be subject to the provisions of this Law.
17. **“Electronic Transmission” means any form of communication, not directly involving the physical transmission of paper that creates a historical record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient.**
18. **“Right of Pre-emption” means the right of Shareholders to maintain their stock ownership through purchase of additional Shares and securities that may be converted to issues of Shares, prior to any offer of them to third parties.**
19. **“Right of Preference” means the right devoted by the Articles of Incorporation to a group of Shares which provide the Shareholders with the same rights.**
20. **“Voting Trust” means transferring to or conferring on a trustee the right to vote.**
21. **“Employee” means an officer or person employed by a Corporation or its affiliated entities to perform duties related to the company. A Director may simultaneously perform duty as an officer.**
22. **"Entity" can be a**
- **Natural domestic person – which is a person having Afghan citizenship;**
 - **Domestic legal person –which is an organization, company, proprietary ownership, limited liability company, temporary partnership, temporary investment company, association, or any other for-profit organization, which is established according to the provisions of law;**
 - **Foreign natural person –which is a person that has non-Afghan citizenship;**
 - **Foreign legal person –which is a person whose legal existence is defined under non-Afghan laws.**
23. **Head Office" means the office, in or out of Afghanistan, where the principal executive offices of a Domestic or Foreign Corporation are located, or, if there are no such offices, the office, in or out of Afghanistan, so designated by the Board of Directors. The designation of the principal office in the most recent Annual Report shall be regarded as the Head Office for the purposes of this Law.**

CHAPTER 2

REGISTRATION REQUIREMENTS FOR CORPORATIONS

ARTICLE 05: Registration of Documents:

- (1) The following documents may be registered in the Central Registry office:**
 - 1. The written documents which contain the information specified by this law;**
 - 2. The documents typewritten or printed in black;**
 - 3. Documents that may be copied;**
 - 4. Documents that are legible;**
 - 5. Document prepared in one of the official languages (Pashto or Dari).**
- (2) The Articles of Incorporation of Foreign companies may be in a foreign language, provided that it is accompanied by an accurate Dari or Pashto translation.**

ARTICLE 06: Preparation of Documents:

The document of a Corporation shall be prepared by the following persons:

- 1. By Officer(s) authorized to execute action on behalf of the Corporation;**
- 2. The Board of Directors of the Corporation;**
- 3. One or more incorporators of the Corporation;**
- 4. The receiver, Trustee, or other Court-appointed fiduciary.**

ARTICLE 07: Preparation of the Annual Report:

Annual reports shall be prepared by an officer or Director of the company and shall be registered in accordance with this Law.

ARTICLE 08: Certification of the Seal and Signature:

The Person executing the document shall sign it and state beneath or opposite his signature his name and the capacity in which he signs. Any signature may be a facsimile. The signature and corporate seal shall be attested and verified by the secretary or an assistant secretary.

ARTICLE 09 Preparation of special forms:

If required pursuant to any provision of this Law, the Central Registry may prepare a document in a special form.

ARTICLE 10: Payment of the Fee:

The document delivered to the Central Registry for registration shall be registered when the applicable filing fee is paid in accordance with this law.

ARTICLE 11: Electronic Registration:

The Central Registry may accept the electronic registration of any information permitted by this Law and may prescribe the methods of execution, recording, reproduction and certification of electronically filed information.

ARTICLE 12: Correcting Articles of Incorporation :

- (1) The Board of Directors of a Corporation may authorize correction of any Articles of Incorporation filed with the Central Registry ;**
- (2) Correction of Articles of Incorporation referenced in paragraph (1) of this Article may be made when: (i) it contains an incorrect statement; (ii) it is defectively executed, verified, certified, signed or sealed.**
- (3) Upon the issuance of a Certificate of Correction mentioned in paragraph (2) of this Article, the Articles of Correction shall be filed together with the effective date of the correction.**
- (4) No Articles of Correction shall be accepted by the Central Registry when received more than ten days after the effective date of the Certificate relating to the Articles of Incorporation to be corrected.**

CHAPTER THREE

ISSUANCE OF REGISTRATION CERTIFICATE

ARTICLE 13: Issuance of Certificate:

The Central Registry can only issue a certificate if the document has been prepared and registered according to the provisions of this law.

ARTICLE 14: Certificate of Existence:

- (1) Anyone may apply to the Central Registry to furnish a Certificate of Existence for a Domestic or Foreign Corporation. The Certificate may state any other facts of record with the Central Registry that are requested by the applicant.**
- (2) The Certificate of Existence of the Corporation includes the following:**
 - 1. Activity of the Corporation in Afghanistan;**

2. That the Corporation has not dissolved or has not terminated its activities;
3. The name of the Domestic or Foreign Corporation as it is registered in Afghanistan;
4. The date of the establishment of the Corporation and the period of its duration if for a limited period;
5. That the Foreign Corporation is authorized to transact business in Afghanistan;
6. The date of registration of the Articles of Incorporation in the Central Registry.

ARTICLE 15: Requirement of the Existence of the Corporation:

- (1) Foreign or Domestic Corporations in Afghanistan shall be deemed to be in existence under the following terms:
 1. Having a business license;
 2. Payment of all fees, fines, penalties and interest in accordance with the provisions of this Law;
 3. Filing annual reports with the Central Registry in accordance with this law;
 4. No dissolution or withdrawal of activities.
 5. If the Corporation does not meet the above-mentioned requirements, the Central Registry shall certify the dissolution or termination of the activities of the Corporation.
 6. A Certificate of Existence issued by the Central Registry shall be regarded as conclusive evidence that the Domestic or Foreign Corporation is in existence as a Corporation.

CHAPTER FOUR

PAYMENT OF FEES

ARTICLE 16: Fees to be Collected:

The Central Registry shall collect the registration fees imposed by this law and transfer the money to the income account of the State and assure the relevant authority that this money is paid.

ARTICLE 17: Effective Date of the Certificate:

- 1. A Certificate issued by the Central Registry is effective at the time such Certificate is issued unless the Articles of Incorporation provide otherwise.**
- 2. Any other document filed with the Central Registry shall be effective when accepted and filed by the Central Registry unless otherwise provided for in this Law.**
- 3. Any Certificate that has a delayed effective date shall be deemed to be effective when the Certificate is issued.**
- 4. When a Certificate has a delayed effective date and the parties which filed this Certificate request a cancellation, and the Central Registry registers that, such Certificate shall become void.**

CHAPTER FIVE

PROCEDURES FOR ESTABLISHMENT OF A CORPORATION

ARTICLE 18: Establishment of a Corporation:

A Domestic Corporation is established for any lawful business in accordance with this law and the relevant Articles of Incorporation, whose capital is definite and divided into Shares, with the responsibility of each Shareholder limited to the value of his or her Share.

ARTICLE 19: Activities of the Corporation:

Unless its Articles of Incorporation provide otherwise, every Corporation has perpetual duration and has the same powers as an independent Entity which operates legally to execute business transactions and other affairs.

ARTICLE 20: Incorporators:

One or more Persons may act as the Incorporator by signing and filing Articles of Incorporation with the Central Registry.

ARTICLE 21: Articles of Incorporation:

(1) The Articles of Incorporation must include the following:

- 1. The name of the Corporation;**
- 2. The name and address of each Incorporator and Director;**
- 3. The address of its Registered Office in Afghanistan and the name of its responsible agent at such office;**
- 4. The number and types of Shares the Corporation is authorized to issue;**
- 5. The duration of the Corporation, which duration will be assumed to be infinite unless otherwise limited in the Articles of Incorporation.**

(2) The Articles of Incorporation may include the following, as well as terms mentioned in Article 20(1) above:

- 1. Any provision defining or denying the priority right of Shareholders to acquire unissued Shares of the Corporation;**
- 2. The purpose for which the Corporation was organized;**
- 3. Par value for Capital Stock;**
- 4. Limiting the liability of Directors;**
- 5. Any provision otherwise required which is not against the provisions of this law.**

ARTICLE 22: Signing the Articles of Incorporation:

(1) Corporate existence begins when the Articles of Incorporation are signed by the Incorporators or a person to whom the power to sign has been delegated by agreement, and the Articles have been registered with the Central Registry.

(2) Notice of the formation of a Corporation, including the name and registered address of the Corporation, shall be advertised in accordance with the law.

ARTICLE 23: Pre-Incorporation Activities:

All Persons purporting to act on behalf of a Corporation prior to its establishment shall be liable for all liabilities created while so acting, except for any liability to any Person who knew that there was no Corporation formed under this Law.

ARTICLE 24: Activities of the Board of Directors:

- (1) The Board of Directors can start their activities after establishment of the Corporation and can hold their meetings inside or outside Afghanistan according to the provision of this law.**
- (2) According to the provisions of this law, incorporators of the Corporation can hold their meetings inside or outside Afghanistan.**
- (3) According to the provisions of this law, the incorporators of a Corporation can make decisions without holding meetings if the action taken is evidenced by a written consent signed by each incorporator.**

CHAPTER SIX

BY-LAWS

ARTICLE 25: Enacting By-Laws

The incorporators or Board of Directors, of a Corporation may adopt by-laws to better implement the relevant Articles of Incorporation, provided that it is not inconsistent with this law or the Articles of Incorporation.

ARTICLE 26: Corporate Name:

A corporate name shall contain the word “corporation”, “incorporated”, “company”, or “limited”, or the abbreviation “Corp.”, “Inc.”, “Co.”, or “Ltd.”

ARTICLE 27: Prohibited Corporate Names:

The Incorporators cannot select the following names for their corporation:

- 1. A corporate name that is prohibited by law for a Corporation;**
- 2. A name that has been selected and registered with the Central Registry for another Corporation;**
- 3. A name of a Foreign Corporation, unless the selected name can be distinguished from the foreign name.**

ARTICLE 28: Maintaining a Business Office:

Each Corporation in Afghanistan shall:

- 1. Have a business office that has been registered with the Central Registry.**

2. Have a responsible agent at the location of the registered office. The registered agent may be an individual Person or a Domestic Corporation.

ARTICLE 29: Obligations of the Agent:

1. The duty of the registered agent is to receive service of any process, notice or demand on behalf of the Corporation that is required or permitted by law to be served on the Corporation, and to forward the goods provided through him to the Corporation at its last known address.
2. Whenever a claim is made against a Corporation and its registered agent can not be found at the registered office, then the responsible person shall be found and searched on the basis of the Central Registry.

CHAPTER SEVEN

ISSUANCE OF SHARES

ARTICLE 30: Issuance of shares for consideration:

A Corporation may issue its Shares of Capital Stock when authorized by the Board of Directors for consideration, consisting of any tangible or intangible property, or benefit to the Corporation, including cash, commitment for services that have been performed or contracts for services to be performed.

ARTICLE 31: Receiving consideration for shares:

If the Board of Directors determines, in good faith, that the consideration received, or to be received, for the Shares to be issued is adequate, such determination is conclusive and final regarding the adequacy of consideration as far as the Shares are validly issued and fully paid.

When the Corporation has received the payment for the Shares, the Shares issued therefore are fully paid.

ARTICLE 32: Offer of Shares:

Shareholders of a Corporation wishing to issue their Shares to the public may do so in accordance with rules established by the Central Registry or other competent authorities.

CHAPTER EIGHT

BOARD OF DIRECTORS

ARTICLE 33: Board of Directors of a Corporation:

(1) The Corporation shall have a Board of Directors, which according to the Articles of Incorporation, By-Laws, and agreements of the Shareholders is an authorized Board to direct and regulate the affairs of the Corporation.

(2) The Board of Directors shall have the power to represent the Corporation and execute any legal document subject to any limitations set forth in the Articles of Incorporation.

ARTICLE 34: Selection Requirements for members of the Board of Directors:

(1) A person may only be selected as a member of a Board of Directors with the following qualifications:

- 1. Natural persons who are eighteen (18) years of age;**
- 2. Persons that have never been deprived of civil rights by a court order;**

(2) The Board of Directors may be composed of one or more members. The minimum and maximum number of members and other relevant conditions shall be stipulated in the Articles of Incorporation or the By-Laws of the company.

ARTICLE 35: Appointment of the members of the Board of Directors:

(1) Directors shall be elected by the Shareholders at each Regular/Annual Shareholder's Meeting, in accordance with the Articles of Incorporation .

(2) The Articles of Incorporation, or By-laws, may authorize the Shareholders, or the Board of Directors, to fix or change the number of Directors.

ARTICLE 36: Term of Directors:

(1) The terms of the Initial Directors of a Corporation expire at the first Shareholders' Meeting at which Directors are elected.

(2) The terms of Directors shall be for the length determined by the Shareholders, not to exceed three years.

(3) A Director elected to fill a vacancy on the Board of Directors shall serve for the unexpired term of his predecessor in office.

(4) If there shall be an increase in the number of Directors, the new members of the Board shall be elected, but only for a term of office continuing until the next election of Directors.

(5) Despite the expiration of a Director's term, he continues to serve until his successor is elected and qualifies, or until there is a decrease in the number of Directors.

ARTICLE 37: Resignation of a Director:

A Director may resign at any time by delivering written notice to the Board of Directors, its Chairman, or to the Corporation. A resignation is effective on the date of notice.

ARTICLE 38: Dismissal of a Member of the Board of Directors:

- (1) The Shareholders, by majority vote, may remove one or more Directors, with or without cause, unless the Articles of Incorporation, or By-laws, provide otherwise.**
- (2) One or more Directors may be removed by the Shareholders at a Special Meeting called for the purpose of removing him, which includes the matter in the agenda.**

ARTICLE 39: Election of a Chairman:

Each year the Members of the Board of Directors shall elect from among themselves, a Chairman of the Board, unless required otherwise by the Articles of Incorporation, or the By-laws.

ARTICLE 40: Vacancy on the Board:

- (1) Unless the Articles of Incorporation, or By-laws, provide otherwise, if a vacancy occurs on a Board of Directors, including a vacancy resulting from an increase in the number of Directors, the Board of Directors may fill the vacancies, the term of which shall be the unexpired term of such vacant position.**
- (2) A vacancy that will occur at a specific later date (by reason of a resignation effective at a later date or otherwise) may be filled by the Board of Directors before the vacancy occurs, but the new Director may not take office until the vacancy occurs.**

ARTICLE 41: Power of the Board of Directors:

Subject to the limitations within the Articles of Incorporation, the Board of Directors is entitled to execute and sign any legal document and to represent the Corporation in legal transactions.

ARTICLE 42: Holding Meetings:

- (1) The Board of Directors may hold Regular/Annual or Special Meetings in any location.**
- (2) Unless the Articles of Incorporation, or By-laws, provide otherwise, the Board of Directors may permit any, or all, the Directors to participate in a Regular/Annual or Special Meeting by any means of communication by which all Directors participating may simultaneously hear each other during the meeting, including through the use of telephone or video conference. A**

Director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE 43: Actions without Holding a Meeting:

- (1) Unless the Articles of Incorporation, or By-laws, provide otherwise, action required to be taken at a Board of Director's meeting shall be valid when taken without a meeting if the action is taken in writing by all members of the Board.**
- (2) The action of the Board of Directors mentioned in paragraph (1) of this Article and the minutes of the meeting shall be filed with the Corporation records. Such action shall be regarded as voting in the meetings of the Board. The action has the effect of a vote at a meeting of the Board of Directors.**

ARTICLE 44: Notice of Meeting:

- (1) Unless the Articles of Incorporation, or By-laws, provide otherwise, notice of the date, time and place of Regular/Annual or Special Meeting(s) of the Board of Directors shall be given to members of the Board of Directors no fewer than two days prior to such meeting.**
- (2) A Director may waive any notice required by paragraph (1) of this Article, in compliance with the Articles of Incorporation, or By-laws, before, or after, the date and time stated in the notice. The waiver must be in writing, signed by the Director entitled to the notice, and filed with the corporate records.**
- (3) A Director's attendance at, or participation in a meeting acts as a waiver of any required notice to him, unless the Director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting and does not thereafter vote on any proposal at the meeting.**

ARTICLE 45: Quorum and Decisions by Meetings:

- (1) A quorum of the meeting is complete by a majority of the number of Directors.**
- (2) Decisions are taken in Board of Director's meetings by a majority of the variable number of Directors, unless the Articles of Incorporation and By-laws provide otherwise.**

ARTICLE 46: Committees:

- (1) Unless the Articles of Incorporation or By-laws does not provide so, a Board of Directors may create one or more committees to perform the relevant affairs and appoint members of the Board of Directors to serve on them, and may delegate authority to such committees to act on behalf of the Board of Directors. Each committee may have one or more members, who serve for the period determined by the Board of Directors.**

(2) The provisions of this Law that govern the Board of Directors, also apply to committees and their members.

(3) A Committee may not:

- 1. Perform the functions and exercise powers related to shareholders;**
- 2. Appoint any person to fill a vacancy on the Board of Directors, or on any committee;**
- 3. Propose the amendment or adoption of Articles of Incorporation, or By-laws;**
- 4. Approve a plan of merger or dissolution of the Corporation.**

ARTICLE 47: Responsibility of Directors:

(1) A Director shall have the following duties:

- 1. To ensure the best interest of the Corporation and its Shareholders;**
- 2. To discharge assigned duties with due diligence.**

(2) In discharging his duties mentioned in paragraph (1) of this Article, a Director is entitled to rely on information, opinions, reports, or statements, including financial statements, and other financial data, when he wants to make sure that they are prepared and presented by:

- 1. One or more officers or employees of the Corporation whom are reliable;**
- 2. Legal counsel, accountants, bankers, or other persons who are professional and with expert competence;**
- 3. A committee which merits confidence, even if not included in the Board of Directors.**

(3) In instances described in paragraph (2) of this Article, a Director is not entitled to rely on information which is not true or persons that makes reliance unwarranted.

(4) If the member of the Board of Directors does not perform his duties in good faith and according to paragraphs (1) and (2) of this Article, he/she is responsible to the Corporation and the shareholders.

ARTICLE 48: Derivative Actions:

(1) A Derivative Proceeding may be brought by a Shareholder in the right of a Corporation against one or more of its Directors, or Officers, in the event of the failure to perform, or other violation of their duties in management of the Corporation.

- (2) A Shareholder may not commence a Derivative Proceeding unless he was a Shareholder at the time of the act or omission that is the subject of his complaint, and he fairly represents the interests of the Corporation. Derivative Proceedings may not be commenced more than four years from the time the cause of action occurred.**
- (3) Prior to commencing a Derivative Proceeding, a Shareholder must first make written demand on the Corporation requesting that it take suitable action. The Corporation shall respond within 90 days following such a request by either commencing the requested action or by rejecting the request, provided that it may be commenced prior to the date that material harm to the Corporation would likely result.**
- (4) This ARTICLE 47 shall not limit any liability otherwise imposed by law upon any Director or Officer, or any third party.**

ARTICLE 49: Unlawful Distributions of Corporate Assets:

- (1) Directors who engage in distribution of the Corporation's assets in violation of ARTICLE 99, or the Articles of Incorporation, are personally liable. Directors held liable hereunder shall demand reimbursement from each Shareholder for the amount the Shareholder accepted, if such Shareholder knew the distribution was unlawful.**
- (2) A Shareholder that has incurred a loss due to the illegal distribution mentioned in paragraph (1) of this Article may file a claim within two years.**

ARTICLE 50: Conflict of Interest in Transactions:

- (1) If a member of the Board of Directors has a conflict of interest in a business transaction, he must disclose the matter to the Board of Directors of the Corporation. Otherwise he will be responsible.**
- (2) "Conflicting Interest" with respect to a Corporation means: the interest of a Director of the Corporation in a transaction effected, or proposed to be effected by the Corporation (or by a subsidiary of the Corporation), where the Director at the time of commitment, or his related person, is a party to the transaction or has beneficial financial interest in the transaction, that exerts a financial influence on the Director or his related person.**
- (3) "Director's Conflicting Interest Transaction" with respect to a Corporation means: a transaction effected, or proposed to be effected, by the Corporation (or by a subsidiary of the Corporation, or any other Entity in which the Corporation has a controlling interest) respecting which a Director of the Corporation has a Conflicting Interest.**
- (4) "Related person" of a Director means the spouse, parent, brother, sister, child, grandchild, sibling (or spouse of any thereof) of a Director, or an individual having the same home as the**

Director, or a trust, estate, incompetent, conservatee or minor of which the Director is a fiduciary.

(5) “Disclosure” according to paragraph (1) if this Article means: disclosure by the Director who has a Conflicting Interest where the existence and nature of the disclosure relates to him, and disclosure of all the facts that the Director has already known concerning the subject matter.

ARTICLE 51: Judicial action:

- (1) A transaction shall be effected, or proposed to be effected, by a Corporation (or by a subsidiary of the Corporation or by any other controlled Entity) when it is not a Director’s Conflicting Interest Transaction as defined in Article 50 of this law, is not prohibited or enjoined by the court in an action by a Shareholder, or a Derivative Proceeding based on such Director’s interest in the transaction, and is not sentenced to payment of damages or to other limitations. [Sec]**
- (2) A Director’s Conflicting Interest Transaction may not be enjoined by the court or set aside, or give rise to an award of damages, or other sanctions in an action by a Shareholder or a Derivative Proceeding unless:**
 - 1. Shareholders’ approval relating to the transaction was, at any time, taken in compliance with ARTICLE 53;**
 - 2. The transaction, judged in the circumstances at the time of commitment, is established to have been fair to the Corporation.**

ARTICLE 52: Directors’ Approval

- (1) Directors’ approval regarding a transaction is effective if the transaction received the affirmative vote of a majority of the Qualified Directors or after required disclosure in compliance with this ARTICLE.**
- (2) If a Director has a Conflicting Interest respecting a transaction, but neither he nor a related Person is a party thereto, and if the Director has a duty under law, or a duty of confidentiality to another person regarding information relating to the transaction such that the Director cannot, consistent with that duty, make the required disclosure, then disclosure is sufficient for these purposes if the Director:**
 - 1. Discloses to the Directors voting on the transaction the existence and nature of his Conflicting Interest and informs them of the character of and limitations imposed, by that duty, prior to their vote on the transaction; and**
 - 2. Does not, directly or indirectly, participate in the discussion, vote.**
- (3) Qualified Directors who constitute a quorum hereunder, have no conflict of interest in the transaction and neither have a familial, financial, professional**

or employment relationship with another Director who does have a conflict of interest .

ARTICLE 53: Shareholders' Approval:

- (1) Shareholders' approval regarding a transaction is effective for purposes of Article 51(2)2, if approved by a majority vote of all Qualified Shareholders after disclosure.
- (2) Qualified Shares means any Shares the holders of which are entitled to vote with respect to a Director's Conflicting Interest Transaction, except Shares owned by a Director (or a Related Person) with a Conflicting Interest in such transaction.

ARTICLE 54: Preparation and Delivery of Financial Statements:

- (1) Not less than 15 days prior to the Regular/Annual Meeting of the Shareholders, the Corporation shall deliver to all of the Shareholders entitled to attend such Meeting Financial Statements dated as of the last day of the fiscal year of the Corporation, which shall include the balance sheet dated as of the last day of the fiscal year and the profit and loss statement of the Corporation for the fiscal year. All Financial Statements shall include all operations of the company and shall comply in all material respects, with the applicable accounting standards set forth by the International Accounting Standards Board.
- (2) The Financial Statements, as well as the Corporation's books and records, shall be made available to all Shareholders for investigation at the Corporation's main office not less than 15 days prior to the Regular/Annual Meeting of the Shareholders.

ARTICLE 55: Rights and Privileges:

Unless the Articles of Incorporation or By-laws provide otherwise, the Board of Directors may set the compensation of Directors, subject to approval by the Shareholders.

ARTICLE 56: Maintaining Corporate Records:

The Board of Directors, in addition to keeping required commercial books, must also keep the following records:

1. A Shareholders' registry in which the name, address and number of owned Shares of each Shareholder are recorded;
2. A record of initial payments made for capital and the increases therein;
3. A record of the minutes of meetings of the Shareholders and the Board of Directors;
4. The Financial Statements, as presented annually to the Shareholders.

ARTICLE 57: Appointment of Officers:

- (1) Unless otherwise provided in the Articles of Incorporation, or By-laws, the Board of Directors may appoint officers of the Corporation.**
- (2) The Officers shall have the grades, terms, duties and responsibilities as determined, from time to time, by the Board of Directors.**
- (3) Officers who are not Shareholders may simultaneously hold more than one office, and may also be a member of the Board of Directors.**

ARTICLE 58: Indemnification:

- (1) any person who is a party to any action or suit, whether civil, criminal, administrative or investigative (other than a Derivative Proceeding) by reason of the fact that the person is, or was a Director, officer, employee or agent of the Corporation, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred by such person in connection with such action, suit, or Proceeding if the person acted in good faith, and in a manner which is in the best interests of the Corporation, and, with respect to any criminal action or Proceeding, had no reasonable cause to believe the person's conduct was unlawful.**
- (2) A Corporation shall have power to indemnify any person who is, was, or is threatened to be made a party to any Derivative Proceeding, or suit by, or in the right of, the Corporation by reason of the fact that the person is, or was a Director, officer, employee, or agent of the Corporation, against expenses (including attorneys' fees) incurred by such person in connection with the defense, or settlement of such action, or suit, if the person acted in good faith and in a manner which is in the best interests of the Corporation, shall be an exception to this rule [sec].**
- (3) To the extent that a present, or former Director, or officer of a Corporation has been defending in an action, suit, or proceeding referred to in this ARTICLE, such person shall be indemnified against expenses (including attorneys' fees) incurred by such person.**
- (4) Expenses (including attorneys' fees) incurred by an officer or Director in defending any civil, criminal, administrative, or investigative action, suit, or proceeding may be paid by the Corporation prior to the final disposition of such action, suit, or proceeding, upon receipt of an undertaking by, or on behalf of, such Director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be Indemnified by the Corporation as authorized in this ARTICLE 57. Such expenses (including attorneys' fees) incurred by such person(s) may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.**
- (5) The Indemnification and advancement of expenses pursuant to this ARTICLE shall not be deemed exclusive of any other rights to which those**

seeking Indemnification, or advancement of expenses, may be entitled under any charter, Agreement, vote of Shareholders, or disinterested Directors, or otherwise. A Corporation may purchase insurance on behalf of any Director, officer, employee, or agent of the Corporation against any liability asserted against, or incurred by, such person those acting in capacities.

- (6) The advancement of expenses provided by this ARTICLE shall, unless otherwise provided when authorized, continue as to a person who has ceased to be a Director, officer, employee, or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

CHAPTER NINE

BOARD OF SUPERVISORS

ARTICLE 59: Electing the Board of Supervisors:

- (1) The Board of Supervisors of the Corporation shall be composed of two or more members, that shall be elected by the Shareholders at the Regular/Annual Meeting of Shareholders, unless provided otherwise in Articles of Incorporation or the By-laws. If appointed in the Articles of Incorporation, the first term shall be for one year, and thereafter for a maximum period of three years. The Board of Supervisors whose term has expired may be re-elected.
- (2) Members of the Board of Supervisors cannot also be members of the Board of Directors nor can they administer the business operations of the Corporation.

ARTICLE 60: Dismissal:

Members of the Board of Supervisors can, at any time, be dismissed by the Shareholders. A member who is a Shareholder cannot ask for damages or other compensation related to his dismissal.

ARTICLE 61: Vacancies on the Board of Supervisors:

If a member of the Board of Supervisors cannot, for any reason, execute his duties or otherwise resigns, other members of the Board of Supervisors may appoint another member to fill such vacancy until the next Regular/Annual Meeting of the Shareholders. In case the Board should be composed of two members, the vacancy should be filled until the next meeting of the Board of Directors.

ARTICLE 62: Committees:

The Board of Supervisors may appoint one or more committees consisting of two or more members of the Board of Supervisors, in order to investigate certain specific matters.

ARTICLE 63: Prohibition on Appointment of Relatives as Members of the Board of Supervisors:

Relatives of Members of the Board of Directors, such as a father, mother, brother, son, daughter, uncle, aunt, father-in-law, mother-in-law, or son-in-law, cannot be elected as members of the Board of Supervisors.

ARTICLE 64: Duties of the Board of Supervisors:

The following are the duties of the Board of Supervisors:

- 1 Cooperation with the Board of Directors in preparation and review of, the financial statements of the Corporation;**
- 2 Investigation of the operations and books of the Corporation at least once every six months;**
- 3 Inspection, without notice, of the treasury of the company at least once every three months;**
- 4 Supervision of the actions of the Board of Directors with regard to the provisions of this law and as prescribed by the Articles of Incorporation and By-laws;**
- 5 Notice of Regular/Annual or Special Meetings of the Shareholders if such duties are not fulfilled by the Board of Directors; and**
- 6 Attendance at General Meetings of Shareholders;**
- 7 To call Special Meetings of the Shareholders in cases of importance or emergency.**
- 8 The Board of Supervisors must present to the Regular/Annual Meeting of Shareholders the result of its reviews of the financial statements and other accounts of the Corporation and the distribution of profits.**

ARTICLE 65: No Limitation of Authority for the Board of Supervisors:

The authority of the Board of Supervisors as set forth herein cannot be limited in the Articles of Incorporation or the By-laws.

ARTICLE 66: Execution of Duties by the Board of Supervision in Good Faith:

- (1) The Board of Supervisors shall execute its duties in good faith and in the best interests of the Corporation and its Shareholders.**
- (2) The Board of Supervisors shall supervise the conduct of and implementation of actions and responsibilities by the Board of Directors.**
- (3) The bringing of a case against the Board of Supervisors for misconduct is invalid five years after the date of the action or inaction in question.**

ARTICLE 67: Complaint against the Board of Directors:

Shareholders may refer to the Board of Supervisors any complaint against the Board of Directors of the Corporation, which shall properly investigate all such complaints and take all reasonable and appropriate action required as a result of such matter.

ARTICLE 67: Participation by the Board of Supervision in Meetings of the Board of Directors

The Board of Supervisors may attend and participate in Meetings of the Board of Directors, but shall not be entitled to vote.

CHAPTER TEN

SHAREHOLDER MEETINGS

ARTICLE 69: General Meetings of the Shareholders:

- (1) Meetings of the Shareholders of the Corporation may be either Regular /Annual or Extraordinary [Special]. The Regular/Annual Meeting is to take place within four months after the end of the Corporation's fiscal year, or at such other time as is provided for in the Corporation's Articles of Incorporation, provided, however, that the Regular/Annual Meeting shall be convened at least once each calendar year.**
- (2) The Regular/Annual Meeting shall be held at the Corporation's principal office, or at such other place as may be designated by the Board of Directors, either within or outside of Afghanistan. The Board of Directors may determine the place for a Meeting. When needed, the meetings may be held by means of remote communication as permitted in this Law.**
- (3) The failure to hold the Regular/Annual Meeting at the time or place stated in the Articles of Incorporation does not affect the validity of any action by the general meeting of the Shareholders.**

ARTICLE 70: Remote Communication:

If authorized by the Articles of Incorporation, the By-laws, or the Board of Directors, and subject to such guidelines and procedures as the Board of Directors may adopt, Shareholders and proxy holders not physically present at an Regular/Annual Meeting may, by means of remote communication such as telephonic or video conference participate in an Regular/Annual or Special Meeting and be deemed present in person and vote at such Meeting.

ARTICLE 71: Extraordinary [Special] Meetings:

(1) A Corporation shall hold a Special Meeting of the Shareholders:

1. On the call of its Board of Directors or the person or persons authorized to do so by the Articles of Incorporation or By-laws; or

2. If Shareholders controlling at least 10 percent of the votes entitled to be cast on an issue request, in writing, a Meeting of the Shareholders. The request must be signed and dated by the requesting Shareholder, or Shareholders, and must describe the purposes for which the Special Meeting will be held. A Corporation's Articles of Incorporation may fix a lower percentage, or a higher percentage not exceeding 25 percent, of all of the votes entitled to be cast.

(2) The only matters to be discussed and voted upon at the Special Meeting are such matters as are included in the notice of the Meeting.

(3) The record date for determining qualified Shareholders entitled to demand a Special Meeting is as determined by the administration of the Corporation. Such invitation shall be on the date the last Shareholder signs the request for a Special Meeting.

(4) Special Meetings may be held at the place established in the By-laws, or as determined by the Board of Directors, including participation by remote communication as provided in this law.

ARTICLE 72: Court-Ordered Meeting:

(1) The Commercial Court may call a Meeting of the Shareholders in the following cases:

1. Any Shareholder of the Corporation entitled to participate in Regular/Annual Meetings, if such Meeting was not held within four months after the end of the Corporation's fiscal year, in accordance with Article 69 (1) of this law;

2. A Shareholder who made a valid request for a Special Meeting, if pursuant to ARTICLE 71 paragraph (1), section 2, the Special Meeting was not held.

ARTICLE 73: Decisions without a Meeting:

(1) Action required, or permitted, by provision of this law to be taken at any Meeting of the Shareholders may be taken without a Meeting if the action is taken in writing by the Shareholders entitled to vote on the action as set forth herein. The action must be submitted in writing, dated and signed to the Shareholders owning at least the number of Shares required. If a written action is taken by fewer than all the Shareholders, written notice of the action taken shall be sent promptly to all Shareholders. All written actions, as set

forth herein, shall be delivered to the Corporation for inclusion in the Minutes, or filing with the corporate records. If not otherwise set, the Record Date for determining Shareholders entitled to take action Without a Meeting is the date the first Shareholder signs the written action. Written actions shall be effective to take the corporate action referred to therein, provided, that if the written action is taken by less than all of the Shareholders as provided in paragraph (1) of this ARTICLE and/or the notice of such proposed action is required to be given to any nonvoting Shareholders, such written actions may be effective no earlier than 20 days after notice of such action is delivered to Shareholders. A Shareholder may revoke his consent to a written action by delivering a revocation in writing to the Corporation prior to receipt by the Corporation of written consents sufficient in number to take the proposed corporate action. A written action under paragraph (1) of this ARTICLE has the effect of a Meeting vote and may be described as such in any document.

- (2) Any notices and consents required to be delivered under this ARTICLE may be delivered via Electronic Transmission.

ARTICLE 74: Notice of Meeting:

- (1) The notice of a Meeting of the Shareholders is to be given as provided in the Corporation's Articles of Incorporation, or By-laws, provided, however, that the Corporation shall notify Shareholders of the date, time and place of each Meeting, and the means of remote communication, if any, no fewer than 10 nor more than 60 days before an Regular/Annual Meeting date and no fewer than five days before a Special Meeting date. The Corporation is required to give notice only to those Shareholders entitled to vote at the Meeting.
- (2) If not otherwise set by the Board of Directors in the By-laws, the Record Date for determining Shareholders entitled to notice of and vote at a Regular/Annual or Special Meeting is the day before the first notice is delivered to the Shareholders.
- (3) Unless the Corporation's Articles of Incorporation or By-laws specify otherwise, if an Regular/Annual or Special Meeting is adjourned to a different time, date or place, notice need not be given of such new time, date or place if the new time, date or place is announced at the Meeting prior to adjournment. If a new Record Date for the adjourned Meeting is fixed, notice of the adjourned Meeting must be given to Persons who are Shareholders of Record as of the new Record Date.

ARTICLE 75: Method of Invitation:

- (1) Without limiting the manner by which notice otherwise may be given to Shareholders, any notice to Shareholders given by the Corporation (as provided in this Law, the Articles of Incorporation, or the By-laws) shall be effective if given by a form of Electronic Transmission (including electronic mail) consented to by the Shareholder to whom the notice is given. Any such consent shall be revocable by the Shareholder by written notice. Any such consent shall

be deemed revoked if the Corporation is unable to deliver by Electronic Transmission two consecutive notices.

- (2) The Board of Directors may decide concerning the notice referred to in paragraph (1) of this Article if the written agreement and signature by other members of the Board of Directors have been received by electronic transmission.
- (3) Notice given pursuant to paragraph (1) above, shall be deemed given:
 1. if by facsimile telecommunication, when directed to a number at which the Shareholder has consented to receive notice;
 2. if by electronic mail, when directed to an electronic mail address at which the Shareholder has consented to receive notice;
 3. if by a posting on an electronic network together with separate notice to the Shareholder of such specific posting, upon the later of: (i) such posting, and (ii) the giving of such separate notice; or
 4. by any other form of Electronic Transmission, when directed to the Shareholder.
- (4) An affidavit of an Officer of the Corporation that the notice has been given by a form of Electronic Transmission shall be conclusive evidence of the facts stated therein.

ARTICLE 76: Notice of Invitation to those Sharing an Address:

Without limiting the manner by which notice otherwise may be effectively given to Shareholders, any notice to Shareholders given by the Corporation shall be effective if given by a single written notice to Shareholders who share an address if consented to by the Shareholders at that address to whom such notice is given. Any such consent shall be revocable by the Shareholder by written notice to the Corporation.

ARTICLE 77: Waiver of Notice:

A Shareholder may waive any required notice before or after the date and time stated in the notice when the shareholder can not attend the meeting. The waiver must be in writing, signed by the Shareholder entitled to the notice and delivered to the Corporation for inclusion in the Minutes or filing with the corporate records. A Shareholder's attendance at a Meeting, whether such attendance be in person or otherwise, waives objection to lack of notice or defective notice of the Meeting, unless the Shareholder at the beginning of the Meeting objects to holding the Meeting or transacting business at the Meeting.

ARTICLE 78: Shareholders Eligible to Receive a Notice:

The By-laws of the Corporation, or the Board of Directors, may set, or provide for, the manner of setting the Record Date in order to determine: the Shareholders entitled to notice

of a Meeting of the Shareholders; to demand a Special Meeting; to vote; or to take any other action.

ARTICLE 79: Conduct of the Meeting:

- (1) the Chairman of the Board of Directors, or his designee, shall preside over each Meeting of the Shareholders and shall, unless the Articles of Incorporation, or By-laws, provide otherwise, determine the order of business (consistent with the agenda) and shall have the authority to establish rules for the conduct of the Meeting.**
- (2) If a quorum is present, the Chairman, or his designee, shall conduct voting for each matter in accordance with the agenda. When voting is completed the matter shall not be brought under discussion in the event of an objection.**
- (3) At the Meeting of the Shareholders a List is to be made of all Shareholders, or their representatives, who are present and their documents and papers and their respective Share ownership. The List shall be signed by the Chairman, or his designee, and, together with other papers and records with respect to the Meeting, and shall be kept by the Corporation in its records.**
- (4) A copy of the decisions of the Regular/Annual and Special Meetings, together with the Voting and other information relating to such Meetings, shall be prepared and kept by the Corporation.**

ARTICLE 80: Shareholders List:

- (1) After setting a Record Date for a Meeting, the Corporation shall prepare a written List of the names of all of its Shareholders who are entitled to notice of the Meeting and show the address of and number of Shares held by each Shareholder. The Shareholders' List must be available for inspection by any Shareholder for any purpose related to the Meeting beginning two business days after notice of the Meeting and continuing through the Meeting.**
- (2) If the Meeting is held solely by means of Remote Communication the List shall also be open to examination by any Shareholder on a reasonably accessible electronic network and the information required to access such List shall be provided with the notice of the Meeting.**
- (3) Refusal or failure to prepare, or make available, the Shareholders' List does not affect the validity of action taken at the Meeting.**

ARTICLE 81: Voting Right of Shareholders:

- (1) Except as provided in parts (2) and (3), below, or unless the Articles of Incorporation provide otherwise, each outstanding Share, is entitled to one vote.**
- (2) The Shares of a Corporation are not entitled to vote if they are owned, directly or indirectly, by a second Corporation (Domestic or Foreign), even if it owns**

a majority of the voting stock of the Corporation. This provision does not limit the power of a Corporation to vote any Shares, including its own Shares, held by it in a fiduciary capacity.

- (3) Redeemable Shares are not entitled to vote after notice of redemption is mailed to the holders and a sum sufficient to redeem the Shares has been deposited with a bank, or other financial institution, under an irrevocable obligation to pay such redemption price.

ARTICLE 82: Participation in Voting:

- (1) A Shareholder may vote his Shares in Person or by Proxy.
- (2) A Shareholder may appoint a Person to vote, or otherwise act for the Shareholder (a "Proxy"), by signing an appointment form, or by an Electronic Transmission. A Corporation is entitled to accept the Proxy's vote, or other action, as that of the Shareholder making the appointment. An Electronic Transmission must contain, or be accompanied by, information proving that the Shareholder authorized the Transmission. An appointment of a Proxy is effective when a signed appointment form, or an Electronic Transmission, of the appointment is received the Corporation. An appointment may be valid for a period as agreed by the parties.
- (3) An appointment of a Proxy is revocable unless the appointment form, or Electronic Transmission, states that it is irrevocable. The appointment requires that the Corporation considers an interest sufficient in law for the shareholder. An appointment made irrevocable hereunder is revoked when the interest with which it is coupled is terminated. Appointments coupled with an interest include the appointment of:
 1. A Creditor of the Corporation who extended its credit under certain terms;
 2. An Employee of the Corporation whose employment contract requires the appointment;
 3. A Party to a Voting Agreement created under this Law.
- (4) The death, or incapacity, of the Shareholder appointing a Proxy does not affect the right of the Corporation to accept the Proxy's authority until the Corporation has knowledge of such death or incapacity. A person that purchases Shares subject to an irrevocable Proxy appointment may revoke the appointment if he had no knowledge of its existence when he acquired the Shares and the irrevocable appointment was not stated on the Stock Certificate.

ARTICLE 83: Effectiveness of Documents:

- (1) If the name signed on a vote, consent, waiver, or Proxy appointment corresponds to the name of a Shareholder, the Corporation is entitled to

give it effect. If the name of the Person taking such actions does not match the Corporation's Shareholder records, the Corporation is entitled to accept a vote, consent, waiver, or Proxy appointment from such Person as if it was act of the Shareholder if:

- 1. The Shareholder is a legal person and it is signed by an Officer or proper agent of the Entity;**
- 2. The name signed is either:**
 - (i) an administrator, executor, guardian, or conservator representing the Shareholder and, if the Corporation's request, presents evidence of fiduciary authority acceptable to the Corporation with respect to the vote, consent, waiver, or Proxy appointment;**
 - (ii) a receiver, or Trustee in bankruptcy of the Shareholder;**
 - (iii) the Person to whom a power of attorney has been given by the Shareholder;**
- 3. Two or more Persons are the Shareholder as co-tenants, or fiduciaries, and at least one of the co-owners or fiduciaries signs such document or takes such action.**

The Corporation is entitled to reject a vote, consent, waiver, or Proxy appointment if the Secretary has reasonable doubt about the validity of the signature thereon, or about the signatory's authority to sign for the Shareholder. In such case the Corporation is not liable in damages to the Shareholder for the consequences the acceptance or rejection].

ARTICLE 84: Quorum:

- (1) A Quorum for a Meeting of the Shareholders is as prescribed in the Articles of Incorporation, and if not so prescribed therein as provided for under this Law; provided that the Articles of Incorporation may not specify a Quorum less than one-fourth of the number of Shares entitled to vote on any matter or take any action at the Meeting.**
- (2) In the absence of such specification in a Corporation's Articles of Incorporation:**
 - 1. A majority of Shares entitled to vote, present in Person (or by Proxy), shall constitute a Quorum at an Regular/Annual Meeting of the Shareholders;**
 - 2. In all matters, other than the election of Directors, the affirmative vote of a majority of the Shares present in Person (or by Proxy) at the Meeting and otherwise entitled to vote shall constitute the Act of the Shareholders;**

- 3. Directors shall be elected by a plurality of votes of the Shares present in Person (or by Proxy) at the Meeting and entitled to vote on the election [of Directors];**
 - 4. Where Shareholders are divided into specific classes or series, in consideration of the amount of Shares, if separate votes of each class or series is required a majority of the outstanding Shares of such class or series, present in Person (or by Proxy), shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority of Shares of such class or series present in Person (or by Proxy) at the Meeting shall be the act of such class or series.**
- (3) If a quorum is not present, the Meeting of the Shareholders shall be adjourned until such other time, date, and location shall be set by the Board of Directors and announced prior to adjournment. Notice for such subsequent Meeting shall be provided to all Shareholders as otherwise required in this Law only if the time, date, and location of the next Meeting are not announced prior to adjournment.**
 - (4) Once a Share is represented for any purpose at a Meeting it is deemed present for Quorum purposes for the remainder of the Meeting and for any adjournment of the Meeting unless a new Record Date is set for the adjourned Meeting.**

ARTICLE 85: Electing Directors:

- (1) All elections of Directors shall be by written ballot, unless otherwise provided in the Corporation's Articles of Incorporation or By-laws. If authorized by the Board of Directors such requirement of a written ballot shall be satisfied by a ballot submitted by Electronic Transmission, as provided in this Law.**
- (2) Unless otherwise provided in the Articles of Incorporation or By-laws, Directors are elected by a plurality of the votes cast.**
- (3) Shareholders do not have a right to cumulate their votes for Directors unless the Articles of Incorporation specifically provide otherwise. Cumulative Voting means that the Shareholders so designated are entitled to multiply the number of votes they are entitled to cast by the number of Directors for whom they are entitled to vote and then cast the total number of votes for a single candidate, or distribute the product among two or more candidates.**

ARTICLE 86: Appointing Inspectors:

- (1) Corporation may appoint one or more Persons to act as the inspector(s) and administrator(s) of the voting procedures and the votes at a Meeting of the Shareholders with the duties as determined by the Board of Directors**
- (2) Inspectors or administrator shall make a written report to the Board of Directors.**

ARTICLE 87: Keeping Documents and Records:

- (1) Any records maintained by a Corporation in the regular course of its business, including its stock ledger, books of account, and Minute books may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records are clear, in legible form and usable.**
- (2) Any Corporation shall make available such documents and records upon the request of any Person entitled to inspect them, in accordance with this law. Such records and documents shall be admissible in evidence and accepted for all purposes, to the same extent as an original paper record of the same information would have been, provided the paper form accurately portrays the record.**
- (3) Any Shareholder, in Person or by attorney, or other agent, shall, upon written demand stating the purpose thereof, have the right during the usual hours for business, to inspect for any proper purpose the Corporation's stock ledger, a List of its Shareholders, and its other books and records, and to make copies or extracts there from. In this Article, a proper purpose shall mean a purpose reasonably related to such Person's interest as a Shareholder of the Corporation. In every instance where an attorney, or other agent, shall be the Person who seeks the right to inspection, the demand shall be accompanied by a power of attorney, or such other writing, which authorizes the attorney, or other agent, to so act on behalf of the Shareholder. To the extent made available by the Corporation, any Shareholder may receive and/or view such stock ledger, Shareholder List and other books and records on an electronic network, as provided and subject to the restrictions under this Law.**
- (4) Any Director shall have the right to examine the Corporation's stock ledger, a List of its Shareholders and its other books and records for a purpose reasonably related to the Director's position. The Commercial Court is vested with the jurisdiction to prescribe the inspection by a Director, or Shareholder.**

ARTICLE 88: Voting Trusts:

- (1) One or more Shareholders may create a Voting Trust conferring on a Trustee the right to vote, or otherwise act for them, by signing an agreement setting out the provisions of the Trust (which may include anything consistent with its purpose) and transferring their Shares to the Trustee. When a Voting Trust Agreement is signed, the Trustee shall prepare a list of the names and addresses of all owners of beneficial interests in the Trust and deliver copies of the list and Agreement to the Corporation's principal office.**
- (2) A Voting Trust becomes effective on the date the first Shares subject to the Trust are registered in the Trustee's name. A Voting Trust is valid for not more than 10 years after its Effective Date unless extended for a maximum of another 10 years. An extension shall be delivered to the Corporation's principal office.**

ARTICLE 89: Voting Agreements:

Two or more Shareholders may enter into an agreement providing their agreement regarding the manner in which they will vote their Shares.

ARTICLE 90: Concluding Agreements Governing Management of Affairs and Business:

(1) The Shareholders may enter into an Agreement governing the exercise of the corporate power, or the management of the business and affairs of the Corporation among the Shareholders, the Directors and the Corporation, or among any of them.

(2) An Agreement authorized by paragraph (1) of this Article shall be set forth either in: 1. the Articles of Incorporation, or Bylaws, and approved by all Persons who are Shareholders at the time of the Agreement; or 2. a written Agreement signed by all Shareholders at the time of the Agreement and made known to the Corporation.

Shareholder Agreements under this ARTICLE may be amended only by all Persons who are Shareholders at the time of the amendment. Shareholder Agreements are valid for 10 years, unless the Agreement provides otherwise.

(3) The existence of a Shareholder Agreement authorized by paragraph (2) shall be valid when noted in the Articles of Incorporation and on the front or back of each Stock Certificate. The failure to note the existence of the Agreement on the certificate or information statement shall not affect the validity of the Shareholder Agreement, or any action taken pursuant to it. Any purchaser of Shares who, at the time of purchase, did not have knowledge of such Agreement shall be entitled to rescission of the purchase. A purchaser shall be deemed to have knowledge of the Agreement if its existence is noted on the Stock Certificate. An action to enforce the right of rescission must be commenced within the earlier of 90 days after discovery of the existence of the Shareholder Agreement or two years after the time of purchase of the Shares.

(4) A Shareholder Agreement may limit the powers of the Board of Directors and impose upon the Person or Persons in whom such discretion or powers are vested, liability for acts or omissions imposed by law on Directors to the extent that the discretion, or powers of the Directors are limited by the Shareholder Agreement.

(5) The existence or performance of a Shareholder Agreement mentioned in this Article shall not be a ground for imposing personal liability on any Shareholder for the acts or debts of the Corporation even if the Agreement, or its performance, treats the Corporation as if it were a partnership, provided that the corporate formalities otherwise applicable to the matters governed by the Agreement are failed to observe and implement.

CHAPTER TWELVE

DISTRIBUTION OF DIVIDENDS TO SHAREHOLDERS

ARTICLE 91: Announcement of Capital:

The Board of Directors may declare and cause the Corporation to pay Dividends upon Shares of the Corporation's Capital Stock, subject to the Corporation's Articles of Incorporation and the limitations in this law.

ARTICLE 92: Distributions of Dividends:

(1) No distribution of Dividends may be made if

- 1. The Corporation would not be able to pay its obligations or debts as they became due; or**
- 2. The Corporation's [total] assets would be less than the sum of its total liabilities**
- 3. The Corporation's Reserved Capital would be less than five percent of all shares**

(2) Distributions made contrary to paragraph (1) of this Article illegally, the provisions of ARTICLE 49 hereto will apply to such distributions.

(3) In case the Corporation was to dissolve at the time of distribution, the rights of persons with preferential rights shall be superior to those of persons receiving the dividends, unless provided otherwise in Articles of Incorporation.

ARTICLE 93: Reserve Capital

In distribution of profits, at least 5% of the profits shall be retained as Reserve Capital to compensate for possible losses of the company. No further amount shall be retained as Reserve Capital thus collected after such capital reaches at least 25% of the company's capital, provided that the charter does not stipulate a higher percentage. Where the price of Shares exceeds their designated value, the additional value may also be retained as Reserve Capital. Where the Reserve Capital reaches the level determined in the Article of Incorporation or law, but subsequently decreases due to any reason, profits shall be retained in accordance with paragraph (1) in the order specified therein until such loss is recovered.

ARTICLE 94: Payment of Dividends:

Dividends may be paid in cash, in property, or in Shares of the Corporation's Capital Stock.

CHAPTER TWELVE

MATERIAL CHANGE TO CORPORATE STRUCTURE:

ARTICLE 95: Amendment of Articles of Incorporation:

- (1) The shareholders may amend, increase or omit the provisions of the articles of incorporation.**
- (2) The Board of Directors must approve and recommend the proposed amendment to the Shareholders and the Shareholders entitled to vote on the amendment have the right to approve the amendment by a majority of the votes entitled to vote on such proposed action .**
- (3) Unless the Articles of Incorporation provide otherwise, a Corporation's Board of Directors may adopt and approve one, or more, of the following amendments to the Articles of Incorporation without Shareholder approval:**
 - to delete the names and addresses of the initial Incorporators;**
 - to delete the initial principal office;**
 - to delete the Initial Directors; or initial responsible agent (if current responsible agent information is on file with the Central Registry).**

ARTICLE 96: Increase in Capital of the Corporation:

If the Board of Directors, in its written judgment, determines to increase the authorized capital of the Corporation by increasing the amount of authorized Shares available for issuance, or by creating new classes or series of stock, the Board of Directors shall approve and submit the matter for vote by the Shareholders. Issuance of authorized Shares shall be regulated by ARTICLES 30 and 31 of this Law.

ARTICLE 97: Pre-emptive Rights:

Unless otherwise expressly provided in the Corporation's Articles of Incorporation, or as determined by the Board of Directors, upon any increase in the authorized capital of the Corporation, or issuance of additional Shares by the Corporation, the existing Shareholders are not entitled to preemptively purchase, or subscribe for their pro rata Share of any such newly –authorized, or newly-issued Shares of Capital Stock.

CHAPTER THIRTEEN STOCK CERTIFICATES

ARTICLE 98: Stock Certificates:

- (1) The issued and outstanding Shares of Capital Stock of a Corporation may be represented by Stock Certificates, as provided in the Corporation's Articles of Incorporation, or By-laws. At minimum, each Stock Certificate must state the name of the issuing Corporation, the jurisdiction of the organization, the par value, the name of the Person to whom it is issued and the number and class of Shares issued, and shall be signed by two authorized Officers of the Corporation.**
- (2) Any or all the signatures on the Certificate may be a facsimile. If the Person who signed a Certificate shall have ceased to be an Officer of the Corporation after such Certificate is issued, the Certificate shall remain valid.**

ARTICLE 99: Transfer of Shares:

Unless otherwise stated in the Articles of Incorporation, Shares are transferable to others without the consent of the Corporation.

ARTICLE 100: Registration of Shares and Validity thereof

Shares are transferred to others by endorsement or by another written document. In order for this transfer to be honored it must be registered in the Share Registration Book of the Corporation.

ARTICLE 101: Unpaid Shares:

When the consideration payable for Shares of a Corporation has not been paid in full, and the assets shall be insufficient to satisfy the claims of its Creditors, each holder of, or subscriber for, such Shares shall be bound to pay on each Share held or subscribed for by such holder, or subscriber, the sum necessary to complete the amount of the unpaid balance of the consideration for which such Shares were issued, or are to be issued, by the Corporation.

ARTICLE 102: Unusable Stock Certificates:

- (1) A Stock Certificate should become in such bad condition that its further use is impractical, but its contents and distinguishing marks are perfectly legible, its owner is entitled to pay the expenses involved and receive replacement Stock Certificates from the Corporation.**
- (2) A Corporation shall issue a new Stock Certificate in place of any existing Certificate that has been lost, stolen, or destroyed and the Corporation may compensate for damages in case of any claim concerning the mentioned Certificate. The Corporation may require the owner of such former and replacement Stock Certificates to indemnify the Corporation against any claim that may be made against the Corporation relating to such Certificate. The Corporation may require the owner of the lost, stolen, or destroyed Stock Certificate to provide the Corporation with a bond sufficient to cover such indemnification obligations.**

CHAPTER FOURTEEN DISSOLUTION AND LIQUIDATION OF CORPORATIONS

ARTICLE 103: Dissolution of Corporations:

The Board of Directors may approve the dissolution of the Corporation by majority of votes and present the proposal (whether conditional or unconditional) to Shareholders meeting for adoption and approval.

ARTICLE 104: Registration of Articles of Dissolution:

(1) As provided in article 103, the Corporation may deliver to the Central Registry for filing Articles of dissolution setting forth:

- 1. The name of the Corporation;**
- 2. The date on which dissolution was authorized by the Board and Shareholders;**
- 3. A statement that the proposal to dissolve was duly approved by the Shareholders in the manner required by this Law and by the Articles of Incorporation.**

(2) The Corporation shall be dissolved upon the date of registering the Articles of dissolution.

(3) “Dissolved Corporation” means a Corporation who’s Articles of Dissolution has become effective and includes a successor entity to which the remaining assets of the Corporation are transferred subject to its liabilities for purposes of liquidation.

ARTICLE 105: Non-Issuance of Shares and Demanding Dissolution:

(1) A majority of the Incorporators or Initial Directors of a Corporation that has not issued Shares may dissolve the Corporation by delivering to the Central Registry for filing Articles of Dissolution that set forth:

- 1. The name of the Corporation;**
- 2. The date of its Incorporation;**
- 3. A statement that: (i) none of the Corporation’s Shares has been issued;**
- 4. That no debt of the Corporation remains unpaid;**
- 5. that a majority of the Incorporators, or Initial Directors, authorized the dissolution.**

ARTICLE 106: Revocation of Dissolution:

- (1) **The general meeting of Shareholders of a Corporation may revoke its dissolution within five days of its Registration and advertisement date. Revocation of dissolution must be authorized in the same manner as the dissolution was authorized. After the Revocation of dissolution is authorized, the Corporation may revoke the dissolution by delivering to the Central Registry for filing Articles of Revocation of dissolution that set forth:**

- 1. The name of the Corporation;**
- 2. The announcement date for revoking the dissolution;**
- 3. The date that the revocation of dissolution was authorized by the Corporation's Board of Directors and Shareholders (if Shares issued).**

When the revocation of dissolution is effective, the Corporation resumes carrying on its business as if dissolution had never occurred. Revocation of dissolution is retroactive.

ARTICLE 107: Grounds for Judicial Dissolution:

- (1) **The Commercial Court of proper jurisdiction may dissolve a Corporation in a proceeding:**
- 1. initiated by the Ministry of Commerce and Industry, if it is established that:**
 - i. The Corporation obtained its Certificate of Incorporation through fraud;**
 - ii. The Corporation has exceeded, or abused, the authority conferred upon it by Law.**
 - 2. by one or more Shareholders if it is established that:**
 - i. The Directors are deadlocked in the management of the Corporation's affairs, the Shareholders are unable to break the deadlock, and irreparable injury to the Corporation and its assets is being suffered;**
 - ii. the Directors, or those in control, of the Corporation have acted, or are acting, in a manner that is illegal or fraudulent;**
 - iii. The Shareholders are deadlocked in voting power and have failed, for a period that includes at least two consecutive Regular/Annual Meetings, to elect Directors.**
 - 3. by a creditor if it is established that:**

- i. **The creditor's claim: (i) has been reduced to judgment; and (ii) the execution on the judgment is unsatisfied; and (iii) the Corporation is insolvent; or**
- ii. **The Corporation has admitted in writing that the creditor's claim is due and owing and the Corporation is insolvent**
- iii. **When a claim is filed against the Corporation, the Corporation's voluntary dissolution shall be executed under Court supervision.**

ARTICLE 108: Receivership or Custodianship:

- (1) **In a Court Proceeding brought to dissolve the Corporation, a Court may appoint one or more receivers to wind up and liquidate, or one or more custodians to manage the business and affairs of the Corporation during such dissolution.**
- (2) **Court appointed receivers must be an individual, or a domestic or foreign Corporation, unaffiliated in any way with the Corporation to be dissolved. The receiver or custodian must receive no benefit from his/her position other than reasonable compensation and reimbursement of expenses from the assets of the Corporation or proceeds of its sale.**
- (3) **The Court shall describe the powers and duties of the receiver or custodian in its appointing order, which may be amended from time to time. Among other powers the receiver may:**
 1. **Dispose of all, or any part of the assets of the Corporation wherever located, at a public or private sale, if authorized by the Court;**
 2. **Sue and defend in his all proper courts.**
- (4) **The custodian may exercise all of the powers of the Corporation through or in place of the Board of Directors to the extent necessary to manage the affairs of the Corporation in the best interests of its Shareholders and creditors.**

ARTICLE 109: Decree of Dissolution:

If the Court determines that one or more grounds for judicial dissolution exist, it may enter a decree dissolving the Corporation in accordance with Article 107 of this law and specify the announcement date of the dissolution.

The Court shall deliver a certified copy of the decree of dissolution to the Central Registry.

After entering the decree of dissolution, the Court shall direct the winding up and liquidation of the Corporation's business and affairs.

CHAPTER FIFTEEN

Miscellaneous Provisions

ARTICLE 110: Existence of Established Corporations before the Adoption of This Law:

The Corporations and limited companies which have been licensed prior to the effective date of this law, based on the provisions of the Commercial Code, or have obtained business licenses from other authorized commercial agencies and have registered the licenses in the offices for commercial documents and trademarks, shall upon the adoption of this law within a period of one year and six months reregister in the Central Registry. In such a case, their legal existences shall continue and they shall be subject to provisions of this law.

ARTICLE 111: Proposing Regulations and Internal Rules

For better implementation of this law, the Ministry of Commerce may propose regulations and enact relevant procedures.

ARTICLE 112: Payment of Tax:

Corporations and limited liability companies and their shareholders referred to in this law shall pay tax according to the provisions of applicable law.

ARTICLE 113: Registration of Fraudulent Documents:

A person who intentionally signs a fraudulent document and forwards it for registration to the Central Registry shall be punished according to the provisions of the penal code.

ARTICLE 114: Effective Date:

This law is effective from the date of promulgation and shall be published in the Official Gazette. Upon the effectiveness of this law, all provisions concerning corporations and limited liability companies in the commercial code of Afghanistan, published in Official Gazette # 89, of 1336 [1957] and the Civil Code, dated, 15, 10, 1355 [1976] and any other legal provisions which are contrary to the provisions of this law shall be null and void.