

ORDER #69

MINISTER OF ENERGY AND NATURAL RESOURCES

April 17, 2013

About the Approval of the Charter of the Electricity System Commercial Operator with New Edition JSC

Based on: the Law of Georgia “About the Entrepreneurs”; the Contract “On Transferring Management Rights on the Shares under the Ownership of Partnership Fund, JSC” signed in August 31, 2012 between the Partnership Fund, JSC and the Ministry of Energy and Natural Resources; the Letter #504 of the Partnership Fund, JSC and the Charter of the Electricity System Commercial Operator, JSC:

I Command to:

1. Approve the Charter the Electricity System Commercial Operator, JSC with new edition (attached);
2. Authorise Mr. George Kanashvili (ID #01009017404, born on November 12, 1984), Head of the Juridical Security Section of Legal Department under the Ministry of Energy and Natural Resources, to sign the Charter;
3. Entrust the Company General Director with the registration of the charter of Electricity System Commercial Operator, JSC in accordance with the set rule.

Approved by the Order #69 (Decision)
Of the Ministry of Energy and Natural Resources
Dated April 17, 2013

Joint Stock Company
The Electricity System Commercial Operator
(ESCO)

C H A R T E R
(New Edition)

Tbilisi

2013

Article 1

General Provisions

1. **Joint Stock Company “Electricity System Commercial Operator”** (ESCO), (hereinafter referred to as “Company”) is established in compliance with the Law of Georgia “On Entrepreneurs”, as a result of reorganization (transformation – change of legal form) of the Limited Liability Company “**Electricity System Commercial Operator”** (**ESCO**) and represents its heir at law (succession in a title).
2. 100% of the company assets represent the property of the Partnership Fund, JSC, management rights of which have been entirely (100% of the Company shares) transferred to the Ministry of Energy and Natural Resources. Georgian Law “About the Entrepreneurs”; appropriate enactments of Georgia; the contract (dated August 31, 2012) on “Transfer of Shares, Owned by the Partnership Fund, JSC, with the Right on Management”, signed between the Partnership Fund, JSC and the Ministry of Energy and Natural Resources as well as the Charter herein determine the plenary powers of the Ministry of Energy and Natural Resources above the company.
3. The Company is been founded from the moment of being registered at the Entrepreneurs’ Register and exists indefinitely.

Article 2

Legal Form of the Company

1. Legal form of the Company is “Joint Stock Company”, abbreviation – JSC;
2. By Georgian Legislation, it represents the legal entity;
3. The authority of the legal entity - Joint Stock Company “Electricity System Commercial Operator” (ESCO) comes into effect from the moment of being registered at the Entrepreneurs’ Register;
4. Long title of the Enterprise is:
 - Long title in Georgian: სს “ელექტროენერგეტიკული სისტემის კომერციული ოპერატორი”; Abbreviation in Georgian is: სს “ესკო”;
 - Long title in English: JSC “Electricity System Commercial Operator”; Abbreviation in English is: JSC ESCO;
5. The Company is the heir at law of the Limited Liability Company “Electricity System Commercial Operator”;
6. The Company bears the responsibility for the fulfillment of own obligations by its own property;

7. The Company owns the sole property, manages and uses it according to its intended purpose to achieve its goals. It has the right to arrange the deals in own capacity, purchase a property and gain personal nonproperty rights and bears responsibilities; It can act as a plaintiff and a defendant at the court;
8. The Company has the independent balance, settlement and other accounts in Georgia as well as foreign banks. It has the seal with its title, letterhead for business letters, registered logo and trademark and other properties specific for the legal entity;
9. The Company is held liable before the creditors with its entire property;
10. The Company is not responsible for the shareholders' liabilities;
11. Legal address of the Company is #2 Baratashvili Street, Tbilisi, Georgia.

Article 3

Object of the Company Activities

1. The Company carries out the activities determined by "The Law of Georgia on Electricity and Natural Gas", "The Electricity (Capacity) Market Rules" and the Charter herein;
2. The object of main activities of the Company is:
 - a) Selling and buying (including, through signing the medium and long-term agreements on import/export) the balancing electricity (capacity);
 - b) Trading the guaranteed capacity, commensurate to the active legislation;
 - c) Developing and maintaining the unified base of wholesale buying/selling of electricity (capacity), including the unified accounting register;
 - d) Determining the volume of electricity, sold and purchased by the sellers/buyers of electricity based on appropriate information and submitting the information for the settlement;
 - e) Inspecting the meters, as established by the legislation;
 - f) Other directions of the activities considered by "The Law of Georgia on Electricity and Natural Gas" as well as the subordinate legislation issued or adopted based on this Law;
3. The object of main activities of the Company may change time after time due to the amendments, introduced to the regulatory legislation;
4. The Company carries out the activity that requires license or permit only after receiving appropriate license and permit;

5. The Company is authorized to perform any activity that serves (directly or indirectly) the purpose of the company goals, also any other activity, not restricted by the legislation.

Article 4

Founder Partner, Capital

1. Partnership Fund, JSC is the partner (shareholder) of the company and 100% shareholder.
2. The (charter) capital of the Company is 87 309 (Eighty Seven Thousand Three Hundred Nine) GEL.
3. The Company capital is divided in 87 309 regular shares. Nominal price of each share is 1 GEL;
4. The Company capital can be:
 - a) Increased by means of uplift in nominal price or deposit of additional shares;
 - b) Decreased by means of drop in nominal price or reduction of the quantity, including redemption of shares, commensurate to the legislation in force;
5. The partner (shareholder) has the right to withdraw from the Company capital (charter capital) the contribution, made by the partner in the Company capital (charter capital). Withdrawal of the contribution is carried out following the same procedures as during the contribution;
6. Shareholders' general meeting makes decision on increase or decrease of Company capital.

Article 5

Rights and Obligations of the Shareholder

1. Partnership Fund, JSC is the only shareholder of the company.
2. The shareholder or his authorized representative(s) has the right on:
 - a) Receiving the information about the activities of the enterprise or requesting inspection of the documents connected with economic activities or annual balance;
 - b) Receiving the dividend in accordance with the quantity of shares, which represent their property (is in their possession);

- c) Attending (in person or through the representative) the Shareholders' General Meeting, participating in the activities of general meeting and voting in compliance with the Charter herein;
 - d) Managing own shares as established by the legislation, also claiming redemption of shares from the enterprise, under the circumstances established by the legislation;
 - e) Receiving the share of the property (or its value), remaining after the settlement with the creditors, failing the liquidation of the Company. The share (or its value) shall be proportionate to the shareholder's share and commensurate to the procedures, established by active legislation;
 - f) Requesting the copies of transactions, concluded in the name of the company and/or the information about future transactions if the shareholder (group of shareholders) owns not less than 5% of the shares;
 - g) Requesting to call the extraordinary General Meeting of Shareholders, following the procedures established by the Charter herein; also introducing additions to the agenda of Shareholders' General Meeting if the shareholder (group of shareholders) owns not less than 5% of the shares;
 - h) Carry out the authorities considered by "The Law of Georgia on Entrepreneurs" and other respective standard acts of Georgia.
3. The shareholder is responsible for:
- a) Making respective contribution into the (charter) capital of the Company; The conditions, restrictions and procedures of making the contribution can be additionally determined upon the shareholders' agreement (if available) or the decision of Shareholders' General Meeting;
 - b) Following the conditions, determined by the Charter herein and upon the shareholders' agreement (if available);
 - c) The shareholder carries out its managing authority by means of the Shareholders' General Meeting.

Article 6

Profit Allocation

1. The Company is authorized to make the decision on allocating profit in the form of dividends, based on the quarterly, half year, nine months or annual results;
2. The Shareholders' General Meeting makes the decision on profit allocation, including the midterm allocation;
3. Active legislation regulates other issues of profit allocation in the form of dividend;

4. Allocation of the Company capital as profit is unacceptable.

Article 7

Supervisory Bodies of the Company

1. Leading Bodies of the Company are:
 - a) The Shareholders' General Meeting;
 - b) The Director General.

Article 8

Shareholders' General Meeting

1. Shareholders' General Meeting is the superior body of the Company;
2. Shareholders' General Meeting can be regular or extraordinary;
3. Regular General Meeting of the Shareholders' shall be held annually within two months from composing the annual balance but not later than within six months of the end of fiscal year. The meeting shall be called in compliance with the procedures of the Law. Annual results and other issues brought to the attention of the Meeting are discussed at the Regular General Meeting;
4. Extraordinary General Meeting is held based on the written request of General Director (or acting general director), the shareholder (or group of shareholders), owner(s) of minimum 5% (five percent) of the shares;
5. Calling General Meeting is not necessary if the shareholder with 75% of the votes makes decision regarding the debatable issue. This decision has equal power as the protocol of General Meeting and is considered as the Meeting decision. Under the circumstances, the remaining shareholders shall receive the notification about the accepted decision. If more than one shareholder owns the number of votes indicated in this provision, calling the Shareholders' General Meeting is obligatory;
6. The decision of General Meeting has legal capacity only when the shareholders' with more than half of votes are present. The decision of General Meeting made through violating the provisions of this Clause is void;
7. General Meeting shall be held at the legal address of the Company or any other territory of Georgia. General Director (acting General Director) chairs the activities of General Meeting. In case of absence of such, General Meeting appoints the Meeting Chairman among its members by simple majority of votes;

8. The requirements prescribed by the Law of Georgia “On Entrepreneurs” determines the procedures for calling and conducting the General Meeting, except the occurrences considered by the Charter;
9. Notarization of the protocol of General Meeting is necessary only under the circumstances, determined by Georgian Legislation;
10. The Chairman of the Meeting or the Meeting Secretary shall compose the protocol about the proceeding and decisions of the Meeting. The protocol shall be signed by the Chairman of Shareholders’ Meeting and the attendant shareholders, who own more than 5% of shares.
11. General Meeting is authorized to:
 - a) Introduce the amendments to the Charter of Joint Stock Company and the data of registration statement of the Company;
 - b) Make the decision on founding the Supervisory Board;
 - c) Appoint or recall the Supervisory Board Members; determine the term of office for the Supervisory Board Members;
 - d) Make the decision on the salaries of the Supervisory Board Members;
 - e) Appoint the company general director;
 - f) Make the decision on the wages of the general director;
 - g) Approve the accounts and annual results of general director;
 - h) Accept or reject the proposal of the general director about usage of the income and make the decision on allotting (using) the net profit;
 - i) Make the decision on taking part in a court case against the general director, including the appointment of the representative for this process;
 - j) Approve the annual budget (business plane) as the planned balance and profit-loss plan;
 - k) Make the decision on taking the loans and credits and covering the loans and credits taken by the third party, which do not belong to the everyday (main) activities of the company and/or exceeds the cost of 50% of the company shares;
 - l) Make the decision on making the investments, the (separate or total) cost of which exceeds the cost of 50% of the company shares;
 - m) Make the decision about founding and liquidating the branches and subsidiaries;

- n) Make the decision on starting and terminating new types of activities and agricultural activities, including the decision on founding and liquidating (commercial as well as non-commercial) enterprise;
- o) Make the decision on purchasing or alienation of more than 25% of shares of other enterprises;
- p) Make the decision on disposal of rights, purchase, alienation, mortgage, leasing/renting out or leasing/renting the real estate or similar;
- q) Make the decision on disposal, purchase, alienation and mortgage of movable property and/or of rights, (separate or total cost) of which per one fiscal year exceeds 500 000 (five hundred thousand) GEL;
- r) (Totally or partly) revoke the right on priority purchase of the securities by the shareholder (in case of increase of the capital by means of issuing the securities) if available;
- s) Determine the nominal price of the shares;
- t) Make the decision on allowing trading of the company shares and other securities at the stock exchange;
- u) Make the decision on increasing (by means of new/additional deposit) or decreasing (by means of removing the property from the capital (charter capital)) the company capital (charter capital);
- v) Invite the independent audit;
- w) Issue and revoke the general trading proxy;
- x) Make the decision on reorganization (transformation, merger, severance, etc) of the company;

12. Approval of over 75% of the attendee partners with voting right is necessary to make the decisions about the issues considered by the Paragraph 11 of the article herein;

13. Written decision (order or registered letter) of the shareholders (with over 75% of the votes) regarding the issues under the competence of General Meeting equals to the protocol of the General Meeting and passes as the decision of General Meeting.

Article 9

General Director

1. General Director appointed by the Shareholders' General Meeting undertakes the managing and representative authority of the Company;
2. General Director represents the Company in legal relations with the third party. This power shall not be limited, except the cases determined by the Legislation and the Charter;
3. General Director is responsible for managing the Company activities in compliance with this Charter, the Shareholders' General Meeting and the labor contract, signed with the General Director;
4. General Director shall protect the interests of the Company and agree with the Shareholders' General Meeting the activities that (according to the Charter herein) require approval from the Shareholders' General Meeting;
5. The Company General Director:
 - a) Solely manages and supervises the Company;
 - b) Approves the Company staff list, upon request;
 - c) In the name of the Company, signs the labor contracts and resolves the issues of employee bonus, promotion and disciplinary liability;
 - d) Manages the Company property, as established by this Charter and the legislation;
 - e) Monitors observance and fulfillment of the internal regulations of the Company;
 - f) Concludes the transactions and gives the proxies;
 - g) Develops the Company's accounting policy and submits for approval to the Shareholders' General Meeting;
 - h) Opens the bank accounts and takes the credits/loans;
 - i) Promulgates the orders of organizational and ordinance nature;
 - j) Makes the decisions on other issues considered by the legislation in force and the Charter herein;
 - k) Not later than thirty days prior the Shareholders General Meeting, the General Director submits for approval to the following:
 - Annual report of the Company activities and the report about the economic conditions;

- Business plan of the Company activities, including the draft annual budget;
- Accounting policy of the Company.

Article 10

Accountability of the General Director

The Charter herein, the Law of Georgia “On entrepreneurs” and other legislation in force determine the accountability of the General Director.

Article 11

Share Register

1. The shareholder’s property right entitlement shall be confirmed through the entry, made in the share register or the record of nominal owner. The shareholder shall receive the extract from the share register or the extract of the nominal owner;
2. Active legislation regulates the record-keeping of the share register and the rules of transfer of the shares.

Article 12

Accounting and Audit

1. Accounting and audit is carried out commensurate to the corresponding legislation, which regulates this sphere;
2. Independent auditor shall check the accuracy of the data reflected in the annual balance of the Company;
3. Business year continues from January 1 to December 31.

Article 13

Annual Report

1. General Director composes the annual report, which is submitted to the Shareholders’ General Meeting for approval;
2. Shareholder’s General Meeting approves the annual balance and makes the decision on the outcome (profit/loss) allocation.

Article 14

Confidentiality and Publishing

1. The information, the documentation and other news (if according to the legislation, they are not subject to the publicity), that have commercial or other value (written or oral), delivered to the Company by the Shareholders or vice versa, are considered confidential and shall not be handed to the third parties. Exceptions are the individuals employed at the Company or the enterprise of the Company Shareholder in the event that these individuals need this information to fulfill their job;
2. The Company shall publish the information and facts (public information), considered by the legislation.

Article 15

Branches and Representations

1. The Company can found the branches in Georgia as well as outside Georgia. These branches are not the legal entities;
2. General Director with the consent of the Shareholders' General Meeting makes the decision on founding the Company branches.

Article 16

Control of the Company Activities

1. The activities of the Company are under the control of the Shareholders' General Meeting;
2. Upon request and for the purpose of control of financial activities of the Company, the Shareholders' General Meeting appoints the Independent Auditor;
3. In cases considered by the legislation and following the established rule, a shareholder has the right on inviting the audit company or auditor (authorized by the legislation) to audit the accounting and accountability of the Company, in compliance with the internationally recognized principals.

Article 17

Reorganization and Liquidation

1. The Company has two ways of stopping existence:
 - a) Reorganization (merging, association or separation);
 - b) Liquidation;
2. Liquidating of the Company can take place by the decision of the Shareholders' General Meeting or under the circumstances, considered by the legislation;
3. The Company liquidating can also happen by means of its reorganization (merging, association or separation);
4. In the event that the company is reorganized, all the rights and obligations shall be transferred to its heir at law;
5. If the Company becomes insolvent, the General Director shall announce about the conduct of bankruptcy case, within three days from the date of the accomplished fact;
6. The Company General Director or the Shareholders' General Meeting conducts the liquidation;
7. The regulations considered by the legislation shall apply during the Company's liquidation or reorganization;
8. The Company's liquidation or reorganization is carried out commensurate to the Georgian Legislation in force.

Article 18

Conflict Resolution

All the disputes and disagreements, occurred from the Charter and in connection with it shall be resolved by means of the negotiations. In the event that the agreement has not been reached, the partner (shareholder) and/or the Company has the right to address the court.

Article 19

Conclusive Provisions

1. If any of these provisions becomes void, this fact does not affect the validity of the Charter. The rule which is effective and makes easy to achieve the intended goal shall

apply instead of the void provision. Lawful definitions are used only afterwards. The same rule applies if the Charter contains any errors;

2. The Shareholders' General Meeting shall introduce all the amendments and additions to the Charter;
3. All the amendments and additions to the Charter shall automatically become its inseparable part;
4. The Company Charter in effect is kept at the Company;
5. The Charter is composed in four copies. All the copies have equal legal power.

The Charter is signed by the authorized representative of the Shareholders' General Meeting – authorized representative of the shareholder, who owns 100% of the shares.

In the Name of the Shareholder:

Giorgi Khanashvili