***Securities and Exchange Organization***

***Sample Articles of Association***

***for***

***Investment Banks***

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***(Private Joint Stock Entities)***

**Chapter One: Definitions**

**Article 1:**

The terms defined in article 1 of the Securities Market Law of I.R.I ratified in November 2005 by the Parliament–––Islamic Consultative Assembly (hereinafter named the **Securities Market Law**) are used with the same meanings in the present articles of association. Other terms are defined as follows:

1. **Rules** mean the approvals and decrees of the Council of Ministers, the Council, the Organization as well as the enactments of other authorities within the scope of the powers vested in them under any designation (such as by-laws, regulations, procedural matters and circulars) with regards to the securities and their participants which have been communicated for enforcement.
2. **Related Party (Person)** means the person related to any natural person including the spouse and blood relatives of the first degree (next of kins) of the first category related to that person. The related person means a person related to any entity including:
3. managing director, board members of the legal entity as well as their spouses and blood relatives of the first degree (next of kins) of the first category;
4. any natural person who, along with his own related persons, holds at least 20% of the legal entity's shares;
5. any legal entity who can select at least one of the board members of the legal entity.
6. **Major Shareholder** means a shareholder who, along with his own related persons, holds at least 10% of the company shares.

**Chapter Two: The Company Name, Objective, Duration, Nationality and Headquarters**

**Article 2:**

Name of company: ……………….. Investment Bank (Private Joint Stock) which is named "**company**", for short, in the present articles of association.

**Article 3:**

The company objectives are as follows:

1. The main areas of activity include: subscription, underwriting and pledge to buy securities in the secondary offerings within the range of its financial abilities or through formation of syndicates with other similar entities.
2. The secondary areas of activity are as follows:
   1. to provide counseling and advisory services in the areas such as:
   2. the optimal method and schedule for financing as well as the amounts of required funds;
   3. the method and suggested schedule for securities offering;
   4. the price of the securities offered by the issuer;
   5. the trend of registering securities and obtaining the offering license thereof;
   6. the trend of securities transfer;
   7. the listing of issuer's securities in each of the Exchanges and performance of all office procedures required on behalf of the issuer;
   8. the merger, acquisition, organizational and financial restructuring of companies;
   9. risk management affairs;
   10. the preparing of companies to be rated by rating agencies and performance of all office procedures required on behalf of them;
   11. investment affairs;
   12. the services required by companies as regards new investment, promotion, completion, planning, budgeting and pricing of securities.
   13. marketing and/or managing the trend of securities transfer;
   14. to perform the office procedures represented by the issuer concerning the securities and obtaining the license thereof;
   15. to provide services relating to design and issue of financial instruments for companies;
   16. to render services relating to assets management;
   17. to provide services relating to investment funds and management of such funds and investments therein;
   18. brokerage;
   19. broker/dealership;
   20. portfolio management;
   21. market-making;
   22. investing the company's surplus resources in the investment deposits with banks, reputable credit financial institutions and securities guaranteed by the government and/or banks;
   23. to attract the protection of banks, insurances, credit financial institutions and financial entities for the company in the area of securities subscription;
   24. to give assistance to companies in providing finance (funds and credits);
   25. to provide assistance for issuance, confirmation and acceptance of letters of guarantee.

**Note 1:** It shall be possible to engage in activities and services in the areas of portfolio management, investment funds, brokerage, broker/dealership and market-making by obtaining a separate license form the Organization.

**Note 2:** It shall be possible to get involved in activities in the areas of brokerage and broker/dealership merely in line with market-making activity, portfolio management, investment funds management, subscription and underwriting of securities in the secondary offerings.

**Article 4:**

The company's nationality is Iranian and shall be active for an unlimited period of time as of the establishment date.

**Article 5:**

The company's headquarters is based in the City of…….. Province of …….. The relocation of the company's headquarters to any other city inside the country shall be subject to the approval of ………… The designation and relocation of the company's headquarters in the same city shall also be approved by ………… The company board of directors shall be authorized to set up a branch or agency or close it down as per the rules in force.

**Chapter Three: Regulatory Framework of Activity**

**Article 6:**

The company falls under the category of investment banks referred to in paragraph 18 of article 1 of the Securities Market Law and pursuant to article 28 of this law, the company's activities are controlled by the Organization. The general meetings, directors, inspector-auditor and specialized committees of the company shall have to comply with the prevailing rules and regulations.

**Chapter Four: Capital, Composition of Shareholders and Shares Transfer**

**Article 7:**

The company's capital is the amount of…rials (…rials in letters) which has been divided into … registered ordinary (common)/preferred (1) shares (stocks) valued at … rials each. Out of this capital, the amount of ... rials is in the form of non-cash and the amount of ... rials is in cash. This sum has been entirely paid up. The amount of ... rials, being equivalent to ….. percent has been paid and the amount of … rials, being equivalent to …. percent has been subscribed by shareholders.

**Note:** The subscribed amount of each share shall be claimed within a period of ……………….

**Article 8:**

The company shares certificates are uniform, printed with serial numbers and shall be signed by the managing director and a board member as selected by the board of directors. The certificates shall be sealed by the company and contain the following details:

* the company name and its registration No. with the Companies Registration Authority;
* the company registration No. with the Securities and Exchange Organization;
* the amount of registered (nominal) capital and the amount of paid-up capital;
* the type of shares and the privileges of preference shares if available;
* the nominal amount of a share and the amount paid up in numbers and letters;
* the number of shares for which a certificate represents;
* name, national Id and postal (zip) code of the shareholder.

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| 1- If the purpose is to create preferred/preference shares, the number, privileges and specifications of such shares must be provided. |

**Note 1:** The company's shares are indivisible. The joint owners of shares shall have to designate one person as their representative.

**Note 2:** The ownership of each portion of company's shares shall entail accepting the rules as specified in its articles of association and the resolutions made by general meetings.

**Article 9:**

As long as the shares certificates have not been issued, the company shall have to give scrip certificate to shareholders indicating the number and type of shares and the amount paid. Such a scrip is deemed as proof of share ownership. Nonetheless, within the period of one year after payment of all nominal amounts, the share certificate shall have to be issued and delivered to the shareholder and the scrip certificate shall be returned and cancelled.

**Article 10:**

The full particulars and address of the shareholder or subscriber shall, at the time of subscribing or transferring shares, have to be entered in the company shares book or in another special book in the manner he has declared. If there is any change in the subscriber's or shareholder's address, he shall have to announce his new address to the company. At any event, the last address declared by the shareholder or subscriber shall be considered his legal domicile.

**Article 11:**

Shares transfer shall be registered in the company shares book. The transferor or his attorney or his legal representative shall have to sign the transfer processing in such book. The full identity and address of the transferee shall, in terms of fulfilling the obligations arising from shares transfer, also have to be entered in the shares book and signed by him (transferee) or his attorney or his representative. Ownership or acquisition of any portion of the company's shares shall entail complying with the rules as specified in its articles of association and the resolutions made by general meetings.

**Article 12:**

The company's major shareholders shall be confirmed by the Organization as prescribed by the prevalent rules. Any type of shares transfer or new shares subscription which may cause a person to become a major shareholder shall be notified to the Organization by the buyer or his representative beforehand and be approved by the Organization.

**Chapter Five: Changes in the Company's Capital**

**Article 13:**

The changes in the company's capital shall take place in compliance with the prevailing rules and regulations, whether the provisions of the Commercial Code and of the Securities Market Law.

**Article 14:**

Any change in the company's capital shall merely be within the competency of the extraordinary general meeting. The extraordinary general meeting has the power to authorize the board of directors to increase the company's capital up to a certain sum in the manner established by the general meeting within a specific period not exceeding 5 years.

**Article 15:**

The company's capital can be increased by issuing new shares upon the approval of the extraordinary general meeting and in compliance with the pertinent rules. The payment of the nominal price of new shares is made in one of the following manners:

* cash payment of the nominal price of shares;
* conversion of the matured cash claims of persons due from the company to new shares;
* transfer of returned earnings, reserve or incomes from surplus value of new shares to the company;
* conversion of the company's participation bonds to shares.

**Note:** Transfer of statutory reserves to capital shall be banned.

**Article 16:**

If the capital increase is approved by the extraordinary general meeting to occur out of the shareholders' cash claims, payment of the nominal price of new shares out of each shareholder's claims shall be subject to his consent.

**Note:** The shareholders' cash claims derived from profit shall be deemed to have matured out of such funds upon approval or implementation of capital increase and shall be paid if shareholders so request.

**Article 17:**

While the capital increase is being implemented, the certificate of preemption rights to purchase shares shall be delivered to shareholders prior to the start of subscription in a manner which can be verifiable pursuant to the rules of law.

**Article 18:**

The extraordinary general meeting may, upon the proposal and the report submitted by the board of directors, prescribe that new shares be sold at a price in excess of the nominal share price provided that the manner of spending the surplus value of the sold shares is specified at the same general meeting.

**Article 19:**

The extraordinary general meeting may, upon the proposal of the board of directors voluntarily take decisions on the company's capital decease in addition to compulsory capital decrease provided that the capital decrease does not affect the equality of the shareholders' equity. The voluntary capital decrease shall be achieved through lowering the nominal price of shares at an equal proportion and return of the reduced price of each share to the shareholders. However, it shall be mandatory to observe the rules for the minimum capital as approved by the Organization.

**Article 20:**

The company may, upon approval of the shareholders' ordinary general meeting take action to issue participation bonds. The ordinary general meeting has the power to authorize the board of directors to issue the participation bonds up to a certain sum specified by the general meeting within a specific period not exceeding two years after obtaining a license from the competent authorities.

**Note:** The issue of participation bonds which are convertible into or exchangeable for shares shall be subject to the approval of the extraordinary general meeting.

**Chapter Six: General Meetings**

**Article 21:**

The powers and functions of the company's ordinary and extraordinary general meetings shall be the same powers and functions as prescribed in the Commercial Code and in accordance with the rules and regulations which have been provided in the existing articles of association for the ordinary and extraordinary general meetings of the private joint stock companies.

**Article 22:**

The company's general meetings shall convene in accordance with the provisions of the Commercial Code as follows:

* 1. **ordinary general meeting:** this general meeting shall convene at least once a year so as to address the following issues:

1. hearing the report given by directors as regards the annual performance of the previous fiscal year;
2. hearing the report given by the inspector––auditor;
3. examining and approving financial statements of the previous fiscal year;
4. approving the amount of distributable profit;
5. approving the amounts of bonus, attendance fees, salaries and benefits for the board of directors;
6. appointing the principal inspector––auditor and alternate inspector–auditor of the company and their fees;
7. selecting (a) mass-circulated newspaper (s) to publish the company's notices;
8. appointing directors/executives;
9. issuing securities in the name of company exclusive of convertible or exchangeable securities with company shares;
10. other issues which are within the jurisdiction of the ordinary general meeting in accordance with the Commercial Code.
    1. **the extraordinary general meeting**: this general meeting shall convene at any time to address the following issues:
11. modifications in the articles of association;
12. change in the capital sum (increase or decrease);
13. issuance of convertible or exchangeable securities with shares;
14. premature dissolution of the company in compliance with the Commercial Code and the Securities Market Law.

**Note 1:** It shall not be authorized to delegate powers to company directors (executives) to fix the amounts of bonus, attendance fees and salaries and benefits of the board members as well as the appointment of inspector––auditor and their fees.

**Note 2:** The ordinary general meeting shall have to convene within 4 months as the latest after each financial year to deal with the matters specified in article 89 of the Commercial Code.

**Article 23:**

In all general meetings, the shareholders in person or their representative, attorney or legal deputy as regards the natural persons and the representative or representatives of legal entities shall, regardless of their shares number, be permitted to meet together on the condition of presenting the documents for power of attorney or representation. Each shareholder shall have only one vote for each share except for the election of the company's board of directors which shall be acted as per the article 88 of the Commercial Code.

**Note:** It shall be required that the board members and the managing director attend all meetings. If any one of the board members or the managing director is unable to attend the general meeting due to a reasonable excuse, he shall have to notify the reason for his non-attendance at the general meeting so as to be read in the beginning of the meeting by the chairman.

**Article 24:**

For the purposes of inviting, convening, chairing and decision-making at general meetings, the prevalent regulations shall also apply in addition to the provisions of the Commercial Code.

**Article 25:**

The shareholders shall be invited to convene the general meeting through running notices in a mass-circulated newspaper which has been selected to publish the company's notices. The agenda, date, hours and location of the meeting shall be stated in such notices.

**Article 26:**

The agenda of each general meeting shall be set forth by the inviting authority. All items on the agenda are required to be expressly listed in the letters of invitation. The key issues such as the election of board members, appointment of inspector––auditor, distribution of profit and reserves and change in the area of activity shall not be addressed in the section of "**other provisions/items**". The issues which have not been listed on the agenda shall not be addressed at the general meeting unless all shareholders are present at the meeting and vote to include those issues on the agenda.

**Article 27:**

The general meetings shall be run by a governing body comprised of a chairperson, a secretary and two supervisors. The meeting shall be chaired by the chairperson or vice-chairperson of the board of directors. In the absence of the chairperson or the vice-chairperson of the board of directors and when the appointment or removal of some directors or all of them are on the general meeting's agenda, the chairperson of the meeting shall be chosen from among the shareholders present at the meeting by a relative majority. Two of the shareholders present at the meeting shall be chosen as supervisors and a secretary from among the shareholders or non-shareholders shall be chosen with a relative majority by the general meeting.

**Article 28:**

Voting shall take place verbally; for example, by raising hands or standing up as a sign of expressing one's consent. If at the discretion of the chairperson of the meeting or the company's inspector––auditor, voting is not verbally possible, it shall take place in writing.

**Note:** The voting procedures with respect to the appointment of the board members and the inspector––auditor shall necessarily be accomplished in writing.

**Article 29:**

At the ordinary general meeting, the holders of … (%) percent of shares (1) with the voting right shall have to be present. If, at the first invitation, the required quorum is not attained to hold the general meeting, the invitation shall be extended for the second time and then the general meeting shall convene with the presence of any number of the shareholders with the right to vote for decision-making provided that the second invitation contains the result of the first invitation. The ordinary general meeting shall be formally announced by the chairman and upon confirmation of the inspector-auditor.

**Article 30:**

At the ordinary general meeting, the decisions shall be valid when they are taken by an absolute majority (half plus one) of the shareholders present at the meeting except for the election of directors and inspector––auditor that the relative majority shall prevail.

**Article 31:**

At the extraordinary general meeting, the holders of more than ….. (%) percent of (2) shares with the voting right shall have to be present. If, at the first invitation, the required quorum is not attained to hold the meeting, the invitation shall be extended for the second time and then such meeting shall convene with the presence of the holders of more than ……. (%) percent of (3) shares with the right to vote for decision-making provided that the second invitation contains the result of the first invitation. At the extraordinary general meeting, the decisions shall be valid when they are taken by a majority of two-thirds of the shareholders present at the meeting. The general meeting shall be formally announced by the chairman and upon confirmation of the inspector––auditor.

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| 1- 2-3- The percentage is based on the provisions of the Commercial Code. |

**Article 32:**

The secretary of the general meeting shall have to draw up the minutes of the meeting in the required copies containing a summary of proceedings, decisions and voting outcomes and have such minutes signed by the members of the governing body. The secretary of the general meeting shall send copies of the minutes along with the list of shareholders under article 99 of the Commercial Code to the secretariat of the board of directors based at the company's headquarters. The secretariat shall, within one week at the latest after the general meeting convention, send a copy of the minutes along with the said list to the Organization as well.

**Chapter Seven: Board of Directors**

**Article 33:**

The company is run by a board of directors comprising …… principal (at least 3 and at most 7 persons) members who are elected by the ordinary general meeting from among the shareholders for a term of two years. The number of board member's normally ends in an odd number and the majority of them are constituted of non-executive members. The reelection of board members for subsequent office-terms shall meet no impediment.

**Article 34:**

The ordinary general meeting shall have to elect at least two alternate members for the board of directors so that in the case of death, resignation or dismissal of each one of the principal members, they can be replaced by the alternate members in the manner determined by the ordinary general meeting. The office-term of the substituted alternate member shall equal to the term remained for each individual member of the board who has been replaced by the alternate member.

**Article 35:**

If, for any reason whatsoever, the number of board members is fewer than the prescribed quorum without electing or having any alternate member, the board of directors shall, within the period of 15 days at the latest, have to convene the company's ordinary general meeting so as to complete the number of board members.

**Note:** Where the legal entities sitting on the board of directors do not introduce their natural representative within 15 days at the latest after their election at the general meeting or for any reason this post remains vacant for a month, it shall be deemed that the legal entity has resigned from membership on the board of directors.

**Article 36:**

The professional qualifications of board members, whether the principal member or the alternate member as well as the representatives of the legal entities sitting on the board of directors shall have to be approved by the Organization as per the procedures prescribed by this Organization. If the board members, whether natural persons or legal entities, lose their qualifications, the alternate members shall substitute them. Where the representative of the legal entity lacks qualifications, the legal entity sitting as a board member shall, within the period of 15 days at the latest, introduce its substitute representative to the Organization.

**Article 37:**

Any of the board members shall have to own the number of ... company's shares during his entire office-term and shall deposit them with the company fund as a security to guarantee the compensation for the loss that the company may incur due to the negligence of its directors severally and jointly. Such shares are registered and non-transferable and as long as a director has not received his settlement receipt (quittance) for his office-term in the company, the given shares shall remain as security in the company fund. The shares as used for security purpose shall not prevent the shareholders from voting at the general meetings and payment of the dividends thereon to them.

**Article 38:**

The board of directors shall, within the period of one week at the latest, hold its first meeting, after the ordinary general meeting has elected the board, to appoint from among themselves a chairperson and a vice-chairperson as natural persons to serve on the board of directors. The office-term of chairperson and vice-chairperson shall not exceed the term of their membership on the board of directors. The chairperson and vice-chairperson may be removed from or reelected to their posts. In the absence of the chairperson and vice-chairperson, the board members shall appoint one person out of the members present at the meeting to perform the chairperson's functions.

**Article 39:**

The board of directors shall establish the procedures for holding their meetings. The board of directors shall hold meetings at the times deemed proper when the intervals do not exceed one month at the written invitation of the chairperson or vice-chairperson and/or two board members, and, where necessary, at the managing director's invitation as well. There shall be a reasonable interval between the date of sending invitations and the time of holding the board meeting. If, at any of the board meetings, the date of the next meeting is set and recorded in the minutes, it shall not be required to send invitations to the directors who have attended the same meeting. The board meetings shall be held at the company's headquarters or at any other location which has been indicated in the letters of invitation.

**Article 40:**

The board meetings are formally held when more than half of the board members are attending the sessions. The decisions at the board meeting shall be valid when they are taken by a majority vote of the present members. The managing director shall attend the board meetings without having the right to vote unless he is a board member.

**Article 41:**

The board of directors shall have unlimited powers for any action taken in the name of the company and for any activities and transactions relating to the company objectives about which the decision-making is not within the competence of the general meetings. Such powers are exercised as follows:

* 1. to act as the company's representative before the shareholders, all governmental and non-governmental departments, public institutes, law courts and other natural persons and legal entities;
  2. to approve in-house (internal) by-laws (rules) as proposed by the managing director;
  3. to enforce the approvals of general meetings and approved rules after they have been communicated;
  4. to appoint and remove the managing director and fix his salary and benefits;
  5. to make resolutions in respect of establishment and dissolution of agencies or branches at any location inside and outside the country (Iran);
  6. to make all their efforts towards achieving the company objectives in the most efficient and effective manner;
  7. to approve the organizational structure, employment requirements and the scale of salaries and wages;
  8. to approve the annual budget as well as the long-term, medium-term and short-term plans of the company;
  9. to open any type of account with banks and other authorized institutions and operate it (them) in the name of the company;
  10. to fulfill the obligations undertaken by the company against other parties and safeguard the rights and interests of the company against others;
  11. to issue, endorse, accept, pay and protest against the commercial papers;
  12. to conclude any type of contract, modify, cancel or revoke it as regards the movable and immovable properties which are related to the company objectives and conduct of all activities and transactions stated in article 2 of the present articles of association as well as addressing all unilateral contracts/obligations;
  13. to take decisions on the issues related to registering and transacting all intellectual rights including any type of patent, trade name or trade mark and industrial name, intellectual property, goodwill and all presumptive privileges;
  14. to deposit in trust any type of documents, deeds, funds or securities including their return, collection or recovery;
  15. to receive loans and facilities from banks, corporations and authorized institutions pursuant to the rules provided in the present articles of association;
  16. to mortgage the company assets whether movable or immovable, and release (redeem) them from encumbrance even on frequent occasions;
  17. to institute any civil proceeding or criminal case and defend any pending case, whether civil or criminal, with any judicial authorities, law courts, public prosecutor's offices, special or public non-judicial authorities and Administrative Justice Tribunal on behalf of the company; to defend the company against any litigation (action) brought up versus the company, whether criminal or civil with the judicial authorities or special or public non-judicial authorities and Administrative Justice Tribunal; to appear in person at police departments and exercise all the powers required in the course of proceedings from opening to closing stages including appearance at hearing sessions, raising objection against the court's decree, lodging an appeal for revision (Court of Appeal), filing a second appeal to the Supreme Court, making a protest and a request for rehearing; to request for compromise and settlement, return of documents, records, dismissal of the claim or the cause; to bring a claim of forgery, renunciation and, skepticism about the counterparty's evidence and return of exhibits and proof of the forger; to sign the contracts containing the conditions for arbitration or arbitral agreement and refer the claim or the case to arbitration and appoint and select the arbitrator (with or without the right to make settlement); to seek the enforcement of the arbitrator's final and absolute award; to request for issuance of an enforcement writ along with follow-up actions; to receive the judgment debt and funds in trust and chase them up; to appoint the assessor and appraiser; to appoint and remove the attorney and representative with frequent rights of substitution; to make confession on the nature of claim, to implead the third party and defend the impleader, counterclaim and defend against the counterparties; to accept or reject administration of oath; to seek security on the remedy sought; to recover the loss arising from offences and other similar issues;
  18. to establish the holders of authorized signature in the company and the terms of reference (scope of powers and functions) of each one of them;
  19. to establish the internal control system to ensure the compliance of all operations towards the company goals and within the framework of laws, regulations, constitutions and in-house by-laws;
  20. to prepare the annual financial statements and the report on the performance of the board of directors by presenting it to the inspector––auditor;
  21. to prepare the quarterly (mid-term) financial statements to be presented to the inspector––auditor;
  22. to invite the ordinary and extraordinary general meetings and set the agendas thereto;
  23. to propose any type of reserve/provision in additions to the statutory reserve;
  24. to propose distribution of profit (dividend) among shareholders;
  25. to monitor the activities and performance of company executives including the managing director;
  26. to propose modification of articles of association to the extraordinary general meeting;
  27. to cooperate with the Organization and the inspector––auditor in the performance of their functions;
  28. to acquire assets, investment, and establish or enter into partnership to establish various companies and other entities towards performance of duties and realization of company goals;
  29. to open letters of credit (LCs) and accomplish all customs affairs to clear the commodities which are required towards achievement of company objectives;
  30. To cooperate with international communities/bodies and join the respective regional and global organizations;
  31. any powers and functions which, pursuant to the provisions of the Securities Market Law and relevant rules, have been and shall be deemed to be within the scope of the powers and functions of the board of directors.

**Note 1:** The board of directors shall not be authorized to delegate the powers and functions specified in paragraphs 2, 4, 6, 7, 8, 23, 24, 25 and 26 to another party. The delegation of powers and functions the paragraph 31 shall be possible if it has not been prohibited as per the rules. The board of directors shall be authorized to delegate its other powers and functions to the managing director provided that such power delegation is clearly and definitively affirmed.

**Note 2:** The names of holders of authorized signature in the company shall be notified to the Companies Registration Authority to be published in the State Gazette (Official Newspaper) and notified to the Organization.

**Article 42:**

The board of directors shall have to prepare a report on the company performance and its affiliates for each fiscal year which can include the performance of the company branches and committees as compared to the approved plans. This report and the company financials shall, at least within 30 days prior to holding the ordinary general meeting, be delivered to the inspector––auditor for comment. The Organization can specify the issues required to be included in the given report. The contents of this report or its key issues shall be read by the chairman or a board member at the general meeting which shall convene to examine the company performance and financial statements.

**Article 43:**

If any board member wishes to resign from his post, he shall, at least within 30 days in advance, report the matter to the chairperson of the board and to the inspector––auditor.

**Article 44:**

Non-attendance of any natural member or the representative of legal members of the board of directors for more than three consecutive sessions or six intermittent sessions without any reasonable excuse during the course of one full year shall automatically lead to his membership removal on the board. The board of directors shall exercise its discretion to judge the justifiability of absence.

**Article 45:**

If the company has gained net profit for the performance of one fiscal year, the ordinary general meeting shall have the authority to fix a sum of money as bonus for the board members in compliance with the provisions of the Commercial Code. The bonus fixed for the legal members sitting on the board of directors shall be paid to the legal entities.

**Chapter Eight: Managing Director/Chief Executive Officer (CEO)**

**Article 46:**

The board of directors shall have to appoint a natural person as managing director from among its own members or from outside the company whose professional qualifications have been certified by the Organization and shall establish his scope of powers, office-term, salary and other employment conditions. The managing director shall, immediately after his appointment to such position, have to inform his accepting the responsibility to the company and to the Organization. If the managing director is an incumbent board member, his office-term as managing director shall not exceed the duration of his membership on the board of directors.

**Note:** The managing director's name, particulars and scope of powers shall, be reported to the Companies Registration Department by attaching a copy of the minutes of the board thereto so as to be published in the State Gazette (Official Newspaper) upon entry in records.

**Article 47:**

The managing director is the highest executive officer in the company and, in addition to the powers and functions specified by the board of directors, has the powers and functions to act as follows:

* + 1. to have the right of signature on the part of the company and within the scope of his powers;
    2. to enforce rules and approvals of general meetings and of the board of directors;
    3. to recruit staff and fix their salaries and benefits and deal with their dismissal and appointment and, in general exercise all the necessary powers for human resources management within the context of the approved by-laws;
    4. to invite the board members to hold meetings where it is deemed necessary.

**Note:** The managing director shall be authorized to delegate some of his powers and functions to the company directors and personnel while assuming the accountability for such power delegation.

**Article 48:**

If, owing to resignation, death or for any other reason, the position of the managing director remains vacant, the board of directors shall, within one month at the latest as per the rules in the articles of association, appoint another person to act as managing director. If the appointment of the managing director lasts more than a week, the board of directors shall, until when a managing director is chosen as per this article, appoint a person to act as their representative while specifying the scope of his powers.

**Chapter Nine: Inspector/Auditor**

**Article 49:**

The ordinary general meeting shall have to elect a principal inspector––auditor and an alternate inspector––auditor each year from among the auditing institutions trusted by the Organization so that it (he) could, upon assumption of the post, perform the functions prescribed in the relevant laws and regulations as well as in the articles of association. It is mandatory to abide by the rules for reelection and removal of the inspector––auditor.

**Note:** During their suspension period, the auditing institutes shall not be selected as the principal or alternate inspector––auditor from the list of the Organization's trusted auditors.

**Article 50:**

The inspector––auditor is entrusted with the following functions and responsibilities in addition to the functions and responsibilities prescribed in the Commercial Code for the joint-stock companies, the Securities Market Law, articles of association and other rules and regulations in force:

1. to make comments on the company's annual financial statements in compliance with the auditing standards and national accounting;
2. to make comments on the accuracy of the information provided in any type of report that the board of directors has presented to the general meeting;
3. to present reports to the general meeting in respect of the adherence or non-adherence to the rules and regulations by the company's directors and staff members during the fiscal year;
4. to examine the company's internal control systems during each fiscal year and prepare a report thereon including the comment on the efficiency of the internal control system, cases of breach, suggested amendments and present them to the board of directors and auditing committee.

**Note 1:** If the inspector––auditor is informed of the infringement of laws, regulations and in-house by-laws in the course of its (his) examinations, it (he) shall immediately notify the matter to the board of directors, auditing institute and the Organization.

**Note 2:** The inspector––auditor shall simultaneously send the reports under this article to the company and to the Organization.

**Note 3:** The inspector––auditor shall have to submit its comment under paragraphs (1) and (2) of this article within the period of 20 days at the latest from the date of receiving the financial statements or the board of directors' report.

**Article 51:**

The inspector––auditor's fees shall be fixed by the general meeting. The inspector––auditor, directors and their dependents shall not be entitled to receive any funds, assets and other benefits other than what has been approved by the general meeting or to become directly or indirectly partners in the company transactions.

**Note:** All payments made to the inspector––auditor shall be separately and adequately disclosed in the notes to the company's financial statements.

**Article 52:**

Where continuation of the inspector––auditor's activities is not possible, the board of directors shall, within one month, invite the ordinary general meeting to hold an extraordinary session so as to elect the inspector––auditor. However, the former inspector shall, until the election of a substitute, continue to perform the assigned duties.

**Chapter Ten: Committees**

**Article 53:**

The board of directors shall have an auditing committee. Other board's committees shall be formed as approved by the board.

**Article 54:**

Each board's committee has a charter which is approved by the board of directors and the goals, functions, powers, number and composition of members and membership requirements, the manner of electing members, the method of appointing the committee chairman and his functions and powers, the procedure of holding and running the committee session, schedule of holding the committee sessions, method of verification and decision-making and other required issues as per the rules of the present articles of association have been provided therein.

**Chapter Eleven: Financial Rules**

**Article 55:**

The company's fiscal year begins on March 20 of every year and ends on March 20 of the next year, namely a full solar year based on Iranian calendar. The company's first fiscal year shall run from the establishment date until the end of ….. (month) …. (year).

**Chapter Twelve: Dissolution (Winding-Up) and Liquidation**

**Article 56:**

The company's extraordinary general meeting may, upon recommendation of the board of directors, vote for the dissolution of the company. The board's proposed report shall contain the evidence and factors on which the board members rely to recommend that the company be dissolved. This report shall be delivered to the company's inspector––auditor to be submitted to the general meeting along with the comment made by the inspector––auditor. The decision-making on the board's recommendation shall not be possible without reading the inspector––auditor's comment at the general meeting.

**Article 57:**

Where the company business license is cancelled, the board of directors shall have to accomplish the formalities required so as to convene the extraordinary general meeting. The extraordinary general meeting shall vote to wind up the company or, by changing the company's area of activity, decide on the fate of the company's survival.

**Article 58:**

In the case of the company's voluntary or involuntary dissolution, its liquidation process shall be achieved in compliance with the prevailing rules and regulations.

**Chapter Thirteen: Other Provisions**

**Article 59:**

If any modification in the company's articles of association deems necessary pursuant to the rules, the board of directors shall have to accomplish the procedures required for such modification. Accordingly, any change in the articles of association shall be subject to the approval of the Organization and to the due process of law.

**Article 60:**

If the Council or the Organization decides to halt or suspend any part of the company activities for a specific or unlimited period, the company shall have to halt or suspend that activity or those activities for such period.

**Article 61:**

The rules not provided in the present articles of association shall be subject to the Commercial Code and other regulations and statute laws.

**Article 62:**

The present articles of association comprising ……articles and …… notes were adopted by the company's general meeting on ……and were approved by the Organization on …….. .