Draft

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Law of the Republic of Armenia

on

"Earmarked Fund of Non-commercial Organizations"

Chapter 1. General Provisions

Article 1. Subject of regulation

1. The present Law regulates the creation of earmarked funds (hereinafter referred to as "the Earmarked Fund"), collection of monetary assets and their management, use of incomes generated from the earmarked fund and its management, as well as the rights and obligations of the owner of the earmarked fund, managing company and donators.

2. This Law shall not apply to the relations pertaining to the donations (charitable giving) and other incomes received and used by non-commercial organizations for other purposes.

Article 2. Purpose of Earmarked Fund Creation

1. The Earmarked Fund can be formed exclusively for the purposes envisaged in Article 2 of the Law of the Republic of Armenia "On Charity".

2. Creation of the Earmarked Fund shall be prohibited for the purposes other than those indicated herein.

Article 3. The Main Concepts Used in this Law

The concepts used for the purposes of this Law shall have the following meaning:

"Earmarked Fund" - means detached aggregate monetary assets of the owner of the Earmarked Fund formed in the manner, conditions and sources established by this Law, which is passed to the managing company or is managed otherwise to generate income in the manner established hereby or to use in the order and conditions prescribed under the earmarked fund project.

"The Owner of the Earmarked Fund" – means a non-commercial organization indicated in Article 5 hereof, which has created the Earmarked Fund in the order established by this Law.

"Incomes generated from the management of the Earmarked Fund" – means any capital gain from earmarked fund assets generated as a result of management of the earmarked fund during any financial year base.

"Incomes generated from the Earmarked Fund"- means the deductions made from the assets under management in conformity with this Law aimed at financing the events envisaged under utilization project.

"Managing Company" – means any legal entity acquired a license for management of investment funds in conformity with the Law of the Republic of Armenia "On Investment Funds", who performs the management of the earmarked fund.

"Donator"- means any person or persons as envisaged by Article 8 of the Law of the Republic of Armenia "On Charity", who bequeathed or donated monetary assets for the creation of earmarked fund and/or for its replenishment.

"Beneficiary" – means any non-commercial organization or physical person getting material and/or non-material (spiritual) values in the manner and on the conditions specified under the earmarked fund utilization project.

Article 4. Earmarked Fund Legislation

1. The Earmarked fund legislation consists of the Constitution of the Republic of Armenia, international treaties of the Republic of Armenia, Civil Code of the Republic of Armenia, this Law and other laws and legal acts of the Republic of Armenia.

2. The provisions of relevant laws on non-commercial organizations shall apply to the earmarked fund owner unless otherwise is provided by this Law.

Article 5. The Earmarked Fund Owner

1. Earmarked fund owners can solely be non-commercial organizations, except the non-commercial organizations as specified in part 2 of this Article.

2. Political parties, trade unions, religious organizations, trade associations of legal entities and Chamber of Commerce and Industry cannot be earmarked fund owners.

3. A physical person or a group of physical persons cannot be an earmarked fund owner.

4. Each owner of earmarked fund shall have the right to create more than one earmarked funds.

It is prohibited to create earmarked funds different from charter purposes of the owner of the earmarked fund.

Chapter 2. Creation of Earmarked Fund

Article 6. Decision on creating an Earmarked Fund

The owner of the earmarked fund shall make a decision on a creation of an earmarked fund, which should at least contain the following information on:

1) the purposes of the earmarked fund creation;
2) creation term;
3) earmarked fund project approval;
4) the approval of changes in the charter.

Other issues may also be established in the given decision of the earmarked fund owner.

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Article 7. The Terms for the Creation of Earmarked Fund

1. Earmarked fund can be created for definite and indefinite terms, as well as until achieving a certain goal. The earmarked fund shall be deemed created for an indefinite term if no term for its creation is set.

2. The term of earmarked fund shall be established by the decision of the earmarked fund owner and shall be specified in the charter of the latter.

Article 8. The Order for the Creation of Earmarked Fund

1. According to the decision on creation of an earmarked fund, the earmarked fund owner shall, within 30 days following the state registration of appropriate changes in its charter or state registration of the new charter, open a bank account (bank accounts) where all monetary assets directed at formation of the Earmarked Fund can be received. In addition, a separate bank account can be opened for each currency directed at formation and/or replenishment of the earmarked fund.

2. The owner of the earmarked fund shall be obliged to notify the bank that the bank account is opened specially for the collection of monetary assets aimed at formation of the

earmarked fund. The given circumstance shall be fixed in a bank account agreement to be signed between the earmarked fund owner and the bank.

3. The earmarked fund owner shall be prohibited to manage and/or use the monetary assets donated for creation and/or replenishment of the earmarked fund or to make any transaction in relation thereto until it reaches its minimum amount as established by this Law.

4. The amount of the earmarked fund shall, within three year period following the time of taking the decision, correspond to the minimum amount established in part 6 of Article 9 of this Law.

5. In case of replenishment of the earmarked fund to the required minimum amount, the bank with which the above bank account was opened, shall no later than within 3 days period notify both the owner of the given earmarked fund thereon and an appropriate authorized state body, which shall make an appropriate record on the fact of the formation of the earmarked fund.

Article 9. The Sources of Formation of Earmarked Fund and Its Minimum Amount

1. Only monetary assets both in Armenian drams and foreign currency can be provided for the formation and/or replenishment of the earmarked fund.

2. The following can serve as sources for the formation and/or replenishment of the earmarked fund:

a) donations (charitable giving) and wills made by donators, including foreign citizens, legal entities and international organizations;
b) donations (charitable giving) made from state and communal budgets;
c) financial assets of the owner of the earmarked fund, which are allocated and directed to form and/or replenish the earmarked fund;
d) incomes gained from the management of the given earmarked fund.

3. Monetary assets by donators to the earmarked fund shall be transferred in a form of donations (charitable giving) and wills in accordance with the provisions of the Civil Code of the Republic of Armenia pertaining to a contract of donation (charitable giving) and inheritance. Specifically, they can be made for the formation of an earmarked fund and replenishment of the formed earmarked fund.

4. The monetary assets received in accordance with part 2 of this Article and incomes gained therefrom shall be deemed as property of the earmarked fund owner.

5. The earmarked fund owner shall have the right, based on the decision of the supreme management body, to direct his/her own monetary assets to the earmarked fund, provided that this decision is not at variance with the end use of the mentioned monetary assets specified by other persons.

6. The minimum amount of the earmarked fund shall be fifty million AMD.

Article 10. Public Collection of Assets for the Replenishment of the Earmarked Fund

1. The earmarked fund owner aimed at formation and/or replenishment of the earmarked fund shall have the right to announce the public collection of monetary assets.

2. The public collection of monetary assets shall be carried out based on standard donation (charitable giving) agreement, the form of which shall be approved by the decision of the supreme management body of the earmarked fund owner.

3. In case of public collection of monetary assets the donators agree with the conditions of the standard donation (charitable giving) agreement through their full joining (joining agreement). The donators may conclude a donation agreement by means of transferring the monetary assets to the appropriate bank account.

Article 11. Earmarked Fund Deemed as not Formed

1. In case of failure to form the earmarked fund minimum amount as set forth in part 6 of Article 9 hereof during three year period, the earmarked fund shall be deemed not formed. Henceforth within 30 days period the earmarked fund owner shall be obliged to publish appropriate information thereon with the printed press in charge of publishing data on state registration of legal entities.

2. According to part 1 of this Article, in case of the earmarked fund being deemed as not formed, the donators shall have the right to demand returning the donated monetary assets. In case of failure to take use of the given right within 6 month period, the rest of the monetary assets shall be managed in the manner established by Article 31 of this Law.

Article 12. The Requirements Put Forward to the Charter of the Earmarked Fund Owner

1. Along with the mandatory provisions envisioned by the Law, the charter of the earmarked fund owner shall contain provisions envisioned by Article 6 of this Law.

2. In case of the earmarked fund being deemed as not formed, based on part 1 of Article 11 of this Law, the earmarked fund owner shall be obliged within one month period from the time it came into notice to pass appropriate decision on non-formation and introduce an appropriate change into the charter accordingly.

The earmarked fund owner within 10 days after passing the decision shall be obliged to apply to the body authorized to perform state registration of legal entities to register the changes to the charter envisaged by this part.

Article 13. The Rights of Donators and Their Legal Successors

1. Donators shall have the right to get official information from the earmarked fund owner on the formation of the earmarked fund where they made their donations (charitable giving), the amount of the income gained or loss incurred from its management, utilization of income gained from its management.

In cases envisaged by the agreement, the donators can also be provided with other information not envisaged in this part hereof.

2. A donator shall have the right to dissolve the donation (charitable giving) made by himself/herself provided that it was used or is used at variance with its original purpose.

3. Before dissolving the donation (charitable giving), the donator shall be obliged to require from the earmarked fund owner to eliminate within a reasonable period of time all revealed and existing shortcomings. In case of failure to eliminate the revealed shortcomings or in case of failure to undertake factual measures to eliminate them upon expiry of the reasonable period of time, the donator shall be entitled to exercise his/her right to dissolve the donation (charitable giving).

4. In case of dissolving of the donation (charitable giving) the donator's claim cannot exceed the amount of the monetary assets donated by him/her. In addition, the donator shall have the right to require back only the part of the donation (charitable giving) made, which was used at variance with its original purpose.

5. The legal successors of donators shall enjoy the same privileges as prescribed to the donators under this Law, other laws and agreements.

Chapter 3. Management of Earmarked Fund

Article 14. Types of Earmarked Fund Management

1. Aimed at income generation the earmarked fund owner shall be obliged to manage the earmarked fund personally or through passing it to management.

2. The earmarked fund owner shall, within no later than one month period after replenishing the earmarked fund to its required minimum amount, be obliged to make a decision on passing the earmarked fund to management or exercising on its own (without any managing company) in the manner prescribed hereunder.

3. The earmarked fund owner shall have the right to personally manage the earmarked fund investing it only in public bonds of the Republic of Armenia and/or as bank deposits.

4. If the earmarked fund owner does not enjoy the rights envisaged by part 3 hereof, then it shall be obliged to pass the earmarked fund to management in conformity with the agreement signed with the managing company.

5. The earmarked fund owner shall have the right at its own discretion to divide one earmarked fund as follows: investing one part personally, and passing the remaining part to management. The earmarked fund owner may distribute each earmarked fund (or a part thereof) among Managing companies.

6. Earmarked fund management shall be prohibited if performed otherwise as prescribed herein.

Article 15. Passing the Earmarked Fund to Management

1. If an earmarked fund is passed to management, such management shall be exercised by a managing company based on management contract.

An earmarked fund management contract can be concluded only with managing companies licensed in conformity with the Law of the Republic of Armenia "On Investment Funds".

2. Only the owner of the given earmarked fund can be a beneficiary under a management contract.

3. The managing company shall be obliged to provide the earmarked fund management services at proper professional level, accurately and carefully, acting diligently and proceeding exclusively from the interests of the earmarked fund owner (fiduciary responsibility).

The managing company shall also bear a joint and several liability for the violations committed by the person whom it transferred the implementation of a part of its functions.

4. Based on the results of the given financial year the incomes generated from the management and transferable to the earmarked fund owner can only be monetary assets in Armenian drams and foreign currencies.

5. If the earmarked fund after its formation is further replenished by monetary assets, then the monetary assets after such replenishment to the bank account of the earmarked fund shall, within 10 day period, be managed in the manner established by this Law.

Article 16. Agreement on Earmarked Fund Management

1. The earmarked fund owner under an earmarked fund management agreement shall pass the monetary assets of the earmarked fund to the managing company, and the managing company undertakes to perform the management of these monetary assets in conformity with the requirements of this Law, other laws and legal acts of the Republic of Armenia.

2. The management contract shall be concluded for up to five year period. In case of failure by either party to serve a notification to the other party of the termination of the contract after its expiry, the contract shall be deemed prolonged for the same period and conditions as established by the contract.

3. The provisions of the earmarked fund management contract shall meet the requirements of this Law. The earmarked fund management contract shall at least establish the following:

a) the amount and composition of the monetary assets passed to management;

b) the investment portfolios carried out by the managing company, which must meet the requirements set forth in Article 18 of this Law;

c) the order and deadlines for the reports to be submitted to the earmarked fund owner by the managing company;

d) the order and deadlines for transfer to the earmarked fund owner of incomes gained from the earmarked fund;

e) the amount and type of remuneration to be paid to the managing company;

f) the validity of the contract.

Article 17. The Rights and Obligations of the Managing Company

1. The managing company, being guided by the conditions of the management contract and the provisions of this Law and other laws and legal acts of the Republic of Armenia, shall conduct the management of the monetary assets passed to management through implementation of any legal and factual activities, and shall exercise all the rights which will be entrusted based on the acquired securities, including the voting right.

2. Passing the earmarked fund to management shall not result for the managing company in transfer of the ownership right to the earmarked fund.

The assets passed to management shall not be considered as the property of the managing company and no forfeiture can be exercised in relation to the obligations of the managing company, neither can it be exercised in case of bankruptcy.

3. The managing company, within the framework of this Law and the management contract, shall exercise ownership authorities to the assets passed to management. The rights acquired by the managing company as a result of earmarked fund management activities shall be included in the structure of the assets passed to management. The obligations originated as a result of such activities of the managing company shall be fulfilled at the expense of these assets.

4. The monetary assets of the earmarked fund passed to management of the managing company shall be accounted at a separate balance sheet of the managing company by means of which a separate accountancy shall be kept. A separate bank account shall be opened for estimates made in relation to management of each earmarked fund.

5. The incomes generated from the earmarked fund shall be transferred to the earmarked fund owner upon completion of each reporting financial year within the terms specified by the management contract, which however cannot exceed 90 days.

Article 18. Investment of the Earmarked Fund by the Managing Company

1. The monetary assets of the earmarked fund shall be invested in accordance with investing principles of pension savings funds, provisions established for the admissible investments of pension savings funds and limitations to these investments as prescribed by the Law of the Republic of Armenia "On Pension Savings Fund".

2. The earmarked fund management agreement may establish additional limitations for investments.

Article 19. Responsibility of the Managing Company for Submitting Reports

1. The managing company shall submit to the earmarked fund owner a report on the activity carried out in relation to the management of earmarked fund in the order and terms set forth by the earmarked fund management contract, but no less than once a year.

2. The report shall contain at least the following information:

a) the general amount of monetary assets passed to management;

b) the incomes gained from the management during the given financial year;

c) the balance of the earmarked fund according to the results of the financial year;

d) the amount of the sum to be transferred to the earmarked fund owner.

3. Other information can be also included in the report if it is so established by the management contract.

4. The managing company shall be obliged to enable the earmarked fund owner to follow online the process of the earmarked fund management.

Article 20. Remuneration to the Managing Company

1. The amount of remuneration offered to the managing company shall be established under the agreement concluded with the latter.

2. The amount of remuneration can be established in a form of a fixed payment or an interest on the incomes generated from the earmarked fund management.

3. In case of fixed payment, the amount of annual fee for the management cannot exceed 2% of the monetary assets passed to management, and in case of the incomes generated from the earmarked fund management – 5% of the generated incomes.

The agreement executed in violation hereof shall be deemed as null and void.

4. In case of annual fixed payment for the management when the monetary assets passed to management are replenished during the given year, the amount of the annual fee shall be determined based on the final settlement made as of the last day of each month.

Article 21. The Responsibility of the Managing Company

In case of violation of the requirements of this Law, the managing company shall be held liable in the manner of and in conformity with the provisions of the Law of the Republic of Armenia "On Pension Savings Fund" pertaining to the responsibility of the pension fund manager.

Article 22. Termination of the Earmarked Fund Management Contract

1. The earmarked fund management contract terminates in case of:

a) liquidation of the earmarked fund owner;

b) taking a decision on liquidation of the earmarked fund;

c) suspension or cancellation of the license of the managing company according to the legislation of the Republic of Armenia;

d) initiating bankruptcy proceedings against the managing company;

e) the owner of the earmarked fund, in the manner established by part 2 of this Article repudiates the contract, on the condition of effecting payment to the managing company at relevant amount stipulated by the contract;

f) other circumstances envisaged by the management contract.

In sense of sub-points “c” and “d” of this part the termination day of the earmarked fund management contract shall be deemed the day when appropriate decisions taken in relation to the managing company enter into effect according to the legislation of the Republic of Armenia.

2. The supreme body of the earmarked fund owner shall have the right at any time to terminate the contract with the managing company serving at least 30 days prior notice to the managing company.

3. The assets (securities, bonds, etc.) under the management of the managing company shall be realized within 60 days from the date of termination of the management contract, and the monetary assets generated from such realization shall be transferred in full to the bank account of the earmarked fund owner indicated in part 1 of Article 8 thereof. The earmarked fund owner shall be obliged, within 10 days after receiving the mentioned monetary assets, to pass them to the management of another managing company or according to this Law personally manage them.

4. The requirement pertaining to the obligation of the earmarked fund owner as set forth in part 3 hereof shall not be applicable provided that less that 100 days is left to the earmarked fund expiry date as established in accordance with Article 7 of this Law.

Chapter 4. Utilization of the Earmarked Fund

Article 23. The Formation Order for Specialized Board of the Earmarked Fund and Its Authorities

1. The earmarked fund owner may create a specialized board of the earmarked fund (hereinafter referred to as “the Board”).

In case of non-creation of a board, the functions of the specialized board of the earmarked fund shall be fulfilled by the supreme management body of the earmarked fund owner.

2. In case of setting up the board, its authorities, quantitative composition, the order for appointing its members and the grounds for termination of their powers shall be established by the charter of the earmarked fund owner. The authorities of the supreme management body and the board shall be clearly separated by the charter of the earmarked fund owner. According to this Law the issues under the exclusive authority of the supreme management body of the earmarked fund owner may not be transferred to other bodies, including the board of the earmarked fund owner.

3. Representatives of donators, the earmarked fund owner, potential beneficiaries envisaged under the earmarked fund project, as well as specialists and men of authority in this given sphere may be involved in the Board composition.

4. The Board members will not get any remuneration for their activity, except for the indemnification for expenses incurred as a result of fulfilling the obligations of a board member. The order for paying the indemnification shall be established by the earmarked fund owner.

Article 24. Earmarked Fund Utilization Project

1. The Earmarked fund utilization project (hereinafter referred to as "the Project") in conformity with the objectives set forth hereunder, is a description of measures directed at resolution of certain issues, which shall be approved by the decision of the supreme management body of the earmarked fund owner. The utilization project shall at least describe the project objectives, the envisaged measures; indicate their potential beneficiaries, project implementation stages and deadlines.

2. The earmarked fund owner shall have the right to modify or amend the utilization project, which however may not diverge from the objectives for the creation of the earmarked fund as stipulated by the charter of the owner of the earmarked fund.

3. The earmarked fund utilization project may envisage more than one subproject, the expenses of which will be covered from the incomes generated from the earmarked fund and/or its management.

4. In case of various subprojects being envisaged under the earmarked fund project, the earmarked fund utilization project shall clearly distinguish the percentage of the incomes generated from the earmarked fund and/or earmarked fund management to be used (expensed) for each subproject.

Article 25. Utilization of Incomes Generated from the Earmarked Fund and Its Management

1. Incomes generated from the earmarked fund and/or its management shall be exclusively directed at financing of the earmarked fund utilization project, except for the administrative expenses mentioned in Article 26 hereof. Other expenses of the earmarked fund owner cannot be financed at the out of proceeds of the earmarked fund.

2. All the incomes generated from the earmarked fund management during the previous financial year can be expensed for financing of the earmarked fund utilization project. The incomes generated from the earmarked fund management, but not expensed during the given financial year, can be transferred and expensed the following year.

3. The assets not expensed during the previous financial years may be directed at replenishment of the given earmarked fund in accordance with the decision of the supreme management body or the Board of the earmarked fund owner.

4. Besides the incomes generated from the earmarked fund management, the assets under the earmarked fund management can be used for financing the utilization project, provided that the incomes generated from the management are insufficient to finance the measures envisaged by the utilization project for the given year, and if this is not at variance with the conditions for donation (charity giving).

In this case the supreme management body of the owner of the earmarked fund shall take an appropriate decision on expensing a certain amount from the earmarked fund by substantiating its necessity.

If the earmarked fund is managed by the managing company, then the owner of the earmarked fund shall notify the latter of such decision, indicating the amount of the required assets. The managing company undertakes, within 60 days upon receiving the notification, to realize the assets (in the requested amount) under the management and transfer the monetary assets generated from such realization to the bank account of the earmarked fund owner as specified in part 1 of Article 8 of this Law.

5. If the earmarked fund amount decreases from the minimum amount set forth in part 6 of Article 9 of this Law as a result of the decision mentioned in part 4 of this Article, the earmarked fund owner shall, within one year period from the day of the decision, be obliged to replenish it to the required minimum amount of the earmarked fund. Otherwise the earmarked fund shall be subject to dissolution.

6. The possibility of utilizing the assets under the earmarked fund management and the amount of permissible deductions from the assets under the management can be limited by the conditions of donation (charity giving).

Article 26. Administrative Expenses of the Owner of the Earmarked Fund

1. The administrative expenses related to the creation and formation of the earmarked fund, as well as to implementation of the utilization project cannot exceed 15% of the incomes generated from the earmarked fund management during the given financial year, and 8% - of the incomes generated from the earmarked fund.

2. The following shall be attributed to the expenses mentioned in part one of this Article: service fees for bank account of the earmarked fund, rentals for the premises required under the utilization project, expenditures for acquisition of furniture and materials necessary for efficient

implementation of the utilization project, payments made against the auxiliary services, including the payment for the conducted audit, the indemnification for the expenses made by the supreme management body of the earmarked fund owner and/or the board members, salaries to the required staff and other similar expenses.

3. The expenses mentioned in this Article do not include the remuneration fees to the managing company as set forth in Article 20.

Article 27. Audit of the Earmarked Fund

1. The earmarked fund owner shall, each financial year beginning from the date of the earmarked fund formation, invite an independent auditor authorized to conduct audit in the manner prescribed by the laws and legal acts of the Republic of Armenia to carry out an audit of the earmarked fund. If the earmarked fund owner, according to the legislation of the Republic of Armenia, is obliged to carry out an annual audit, the audit of the earmarked fund shall be conducted within the framework of the mentioned audit, about which the auditor must provide a separate conclusion and report thereon.

2. The audit of the earmarked fund shall be conducted at the expense of the assets of the earmarked fund, which is included in the list of administrative expenses enumerated in Article 26 of this Law.

3. In case of revealing any facts evidencing, in the auditor's opinion, any justifiable threat/risk to the assets of the earmarked fund during the audit, the auditor shall be obliged to promptly inform, but no later than within three working days, both the owner of the earmarked fund and the RA authorized body of any such threat/risk.

4. The earmarked fund owner shall be obliged to submit the auditor's annual conclusion and report to the RA authorized state body no later than the 25th of March following the given financial year.

5. The auditor's conclusion shall also contain:

1) compliance of the earmarked fund management (investment project) with the requirements of this Law;

2) compliance of the decisions of the supreme management body or the board of the owner of the earmarked fund with the requirements set forth in this Law and the earmarked fund utilization project.

6. In case of disclosure of any faults/violations as a result of examination carried out based on the submitted annual report, including the auditor's conclusion and report, the RA authorized body shall have the right to conduct a check/inspection of the earmarked fund.

Article 28. Publicity on Information about the Earmarked Fund

1. Information about the earmarked fund shall be accessible for everyone.

2. After state registration of the earmarked fund owner or state registration of the changes to the charter of the earmarked fund owner, the owner of earmarked fund shall, within one month period, be obliged to have constantly operating web site and publish the following information on:

a) the charter of the owner of the earmarked fund;

b) the earmarked fund utilization project;

c) the composition of the supreme management body and/or board (if such is created) of the earmarked fund owner, as well as on the members thereof;

d) all kinds of replenishments to the earmarked fund took place during the previous three year period and the current balance;

e) the administrative expenses related to the earmarked fund;

f) the managing company of the earmarked fund (with indication of the firm name of the company and its location) or any other type of earmarked fund management as established hereby;

g) audit reports for the previous three year period and the entity conducting audit for the earmarked fund (with indication of the firm name of the company and its location);

h) events conducted within the framework of the earmarked fund utilization project during the previous three year period and involved beneficiaries;

i) the report envisaged by part 2 of Article 29 of this Law.

3. The earmarked fund owner shall be obliged to make all possible efforts to keep the web site regularly updated.

Article 29. Responsibility for submitting reports

1. The earmarked fund owner shall submit a report to the RA state authorized body at the end of each financial year before the 25th of March of the year to follow. The report indicated herein shall be submitted in relation to each earmarked fund.

2. The report shall include the following information on:

1) the amount of the earmarked fund passed to management as of the last day of the reporting financial year;

2) the amount of the monetary assets donated for the formation and/or replenishment of the earmarked fund during the given reporting financial year;

3) the amount of incomes gained as result of management of the earmarked fund during the given reporting financial year;

4) the expenses made from the incomes gained from the earmarked fund and/or its management with special indication of the expenses made for management purposes and the sums expensed for financing the project;

5) amount of remuneration paid to the managing company of the earmarked fund during the given reporting financial year.

3. If any violation is revealed as a result of the checks conducted by the RA state authorized body, then specific provisions on such violation/s and measures undertaken for their removal shall be included into the annual report.

Chapter 5. Dissolution of the Earmarked Fund

Article 30. The bases for dissolution of the Earmarked Fund

1. The earmarked fund can be dissolved only upon a court resolution.

2. The earmarked fund shall be subject to dissolution:

a) in case of expiration or achievement of the objectives set forth under the earmarked fund utilization project;

b) in case of taking a decision by the earmarked fund owner on dissolution of the given earmarked fund in the manner established by the conditions of donation (charitable giving);

c) in case of taking a decision on dissolution of the owner of the earmarked fund;

d) in case of taking a decision on reorganization of the earmarked fund owner, if the non-commercial organization created as a result of such reorganization fails to meet the requirements set forth in Article 5 hereof;

e) if the amount of earmarked fund decreased from the minimum amount established by this Law and the earmarked fund owner failed to replenish it within one year period to the minimum amount required by this Law;

f) if the financing from the earmarked fund and/or its incomes is diverged from the earmarked fund utilization project;

g) if the financing from the earmarked fund and/or its incomes endangers the state and public security, public order, public health and public morality, the rights and freedoms of others;

h) if the earmarked fund owner has numerously and flagrantly defaulted on this and other Laws;

i) if material violations of the Law or counterfeits are committed at a time of earmarked fund creation;

j) under other bases envisaged by this Law and donation (charitable giving) agreement;

3. The RA state authorized body, donators and their legal successors, as well as potential beneficiaries under the utilization project can apply to court with the claim to dissolve the earmarked fund under the grounds indicated in part 3 hereof.

Article 31. Utilization of Remaining Monetary Assets Left After Dissolution of the Earmarked Fund

1. The monetary assets remained after dissolution of the earmarked fund shall be utilized in the order established under the conditions of donation (charitable giving).

2. In case if the order for utilization of the monetary assets remained after dissolution of earmarked fund is not established by the conditions of donation (charitable giving), then in case of dissolution the supreme management body of the earmarked fund owner shall have the right to take one of the following decisions:

a) to transfer the remaining monetary assets to the formation of an earmarked fund and/or to the replenishment thereof;

b) to continue utilizing the remaining monetary assets for the purposes envisaged under the earmarked fund utilization project.

3. In case of utilizing the earmarked fund assets in the manner envisaged by sub-para. 2 of part 2 hereof, the provisions of this law shall be applicable to such relations until the earmarked fund assets are exhausted.

Chapter 6. State Control Exercised Over this Law and Responsibility for Violation Thereof

Article 32. General Grounds for Exercising Control

1.Control over the implementation and preservation of the requirements of this Law and other legal acts adopted thereunder shall be exercised by the RA state authorized body.

2. The RA state authorized body shall, within the limits of the powers vested under this Law and other legal acts, regulate and control the activity performed by the supreme management body of the earmarked fund owner, the Board (if such is created), executive body, including the persons acting as a part of or on behalf thereof (hereinafter referred to as "the Controlled").

3. The RA state authorized body shall implement its control powers set forth in part one hereof towards the persons mentioned in part 2 hereof by remote control and through on-site checks in the manner established by the Law.

Article 33. Responsibility and the order for its Enforcement

1. In case of violation of the requirements of this Law and other legal acts adopted hereunder, the RA state authorized body can apply the following measures to the persons mentioned in part two of Article 32 hereof:

a) warning;

b) and imposing penalty.

2. Enforcement of the measures envisaged by this Article shall not concurrently exclude any criminal, administrative, civil or other responsibility under other enforced procedures.

Article 34. Warning

1. In case of violation of this Law and other legal acts adopted hereunder, the RA state authorized body under its decision shall have the right to warn the person at fault.

2. By warning the committed violation is recorded and the person at fault is informed of the inadmissibility of such violation.

The warning shall also contain instruction (instructions) on the removal of the violation within the established timeframe and/or non-recurrence thereof and/or instruction (instructions) to undertake measures directed at exclusion of such violation in the future. The given instruction (instructions) can envisage termination of certain transactions and (or) functions and (or) amendment of the conditions thereof and (or) directions to undertake other necessary measures pertaining to compliance of their activity to the laws and other legal acts. Implementation of the given instruction (instructions) is obligatory for the person to whom the warning has been served.

Article 35. Penalty

1. In case of violation of this Law and other legal acts adopted hereunder, if the violations and (or) the reasons thereof have not been removed or cannot be removed as a result of the control measures (such as meeting, correspondence, explanatory works) undertaken to improve the existing situation with the person to be controlled and/or the given warning, then the state authorized body shall have the right under its decision to impose penalty on such person at fault.

2. The amount of penalty imposed in cases envisaged by part 1 of this Article shall be established by the state authorized body, the maximum amount of which cannot exceed 1000-fold of the minimum salary.

3. On establishing the amount of penalty, the state authorized body shall take into account:

a) the nature of the violation (premeditation, indifference or negligence);

b) the availability of the damage caused to other persons by the violation and its extent;

c) the same or similar violation previously committed by the same person and responsibility for it, as well as the nature and extent of the previous responsibility;

d) other circumstances considered by the state authorized body as significant.

4. Should the penalty (penalties) imposed in accordance with this Article is (are) not paid at one's own free will, it (they) shall be levied judicially based on the claim of the state authorized body and will be directed to the state budget.

Chapter 7. Final Provisions

Article 36. The Entry into Force of This Law

1. This Law will enter into force the tenth day following its official promulgation.