

REPUBLIC OF ALBANIA

THE PARLIAMENT

LAW

N0. 10 158, Date 15.10.2009

**ON CORPORATE AND LOCAL
GOVERNMENT BONDS**

According to Articles 78 and 83, point 1 of the
Constitution, with the proposal from the Government

The Parliament
decided:

PART I: GENERALLY APPLICABLE RULES

CHAPTER ONE: GENERAL PROVISIONS

Article 1 - Field of application

- (1) The present law applies to bond loans issued by:
 - a) joint-stock companies having their registered seat in the Republic of Albania;
 - B_ Local Government.
- (2) The present law does not apply in cases of bond loans issued by either the Government of the Republic of Albania or the Bank of Albania.

Article 2 - Definitions

- (1) For the purposes of this law, the following definitions shall apply:
 - a) “Bondholders’ agent”: a person which represents the group of Bondholders vis-à-vis the issuer and third parties. “
 - b) “FSA” or “Authority” is the Financial Supervisory Authority, established in accordance with the Law “On Financial Supervisory Authority“.
 - c) “Simple Bond Certificate”: a Bond certificate that incorporates only one Bond.
 - ç) “Multiple Bond Certificate”: a Bond certificate that incorporates more than one Bond.
 - d) “Bond Loan Program” is the program that contains the term and conditions for borrowing funds through Bond issuance
 - dh) “Account Provider”: a custodian within the meaning of the Law on Securities, who has opened an account with the Dematerialized Securities Registry and administers the Securities at the bondholder’s order.
 - e) “Bond”: A bond is considered to be a long term debt security binding the issuer to pay the holder, on a determined date, the nominal value and the interest, in one or more installments.
 - ë) “Convertible Bond”: a Bond that is convertible into shares or that confers its holder pre-emption rights to purchasing shares.

- f) “Participating Bond”: a Bond which confers its holder the additional right to receive dividends.
- g) “Exchangeable Bond”: a Bond which confers its holders the additional right, by a statement, to request the issuer, in fulfilling partly or wholly its obligations as to the payment of the principal of the bonds, to transfer to them securities named in the terms of the Bond loan contained in the Bond loan program.
- gj) “Dematerialized Bond”: an electronic record of an account in the computer system of the Dematerialized Securities Registry.
- h) “Long - Term debt security: A debt security with a maturity of longer than twelve months
- i) “Registry”: A subject licensed by the Albanian Financial Supervisory Authority, whose scope includes the securities data organization and administration, within the meaning of the Law on Securities.
- j) “Bondholder”: the holder of the Bond. In case of Dematerialized Bonds, the person in whose name a dematerialized securities account is opened with the Dematerialized Securities Registry, in which account the Dematerialized Bond is recorded.

Article 3 - Types and series of Bonds

- (1) Bonds shall be issued in dematerialized form where offered through a public offer. Bonds may be issued in paper form where offered through private placement.
- (2) In addition to the types of Bonds defined in the Law on Securities, the Albanian Financial Supervisory Authority can determine by regulation further types of Bonds which may be issued and traded in the Republic of Albania.
- (3) Bonds may be issued in several series and the nominal value of the Bond can be different in each series.
- (4) It is possible to issue Simple or Multiple Bond Certificates.

Article 4 - Bonds in paper form

- (1) The content of the certificate of Bonds in paper form must contain the following elements:
 - a) the name of the issuer, headquarters’ address, registration number at Center for Registration of Shares (QKR);
 - b) The type, guarantees if applicable, the place and time of the Bonds’ issuance and its registration with QKR;
 - c) the nominal value of each Bond;
 - ç) the total nominal value of the Bond loan;
 - d) the name of the bondholder;
 - dh) the place, time and manner of redemption;
 - e) the signature of the legal representatives of the issuer;

- ë) the data which is required for the determination of the rights of the bondholders-creditors and in particular the securities of the loan, the conversion right or the right to participate in the gains of the issuer;
 - f) the series number of the Bond;
 - g) any interest units, if the Bond is interest-bearing as well as its repayment terms;
 - gj) any rights of the issuer for early termination (redemption) of the Bond;
 - h) the value of the initial capital of the issuer and the value which results at the date in the case where the issuer is a joint stock company.
- (2) The provisions of the Civil Code as well as of the Law on Securities shall apply to the transfer of Bonds in paper form.
 - (3) The Financial Supervisory Authority approves a limit for the total amount of Bonds to be issued by the joint stock company.

Article 5 - Dematerialized Bonds

- (1) Dematerialized Bonds shall be recorded, in accordance with the provisions of the Law on Securities, in a securities Registry chosen by the issuer. Dematerialized Bonds accounts shall be held in accordance with the Law on Securities.
- (2) The Account Provider shall be responsible for conducting the entries, registrations of granting, operations and payment of the Bond loan on behalf of the issuer.
- (3) The assets which are to be used for the fulfillment of the obligations arising from the Bond loans shall be transferred by the Account Provider to the bondholders, immediately after their collection from the issuer.
- (4) The Dematerialized Securities Registry shall issue to the bondholders keeping an account therewith, certificates and confirmation for any change on the account.

Article 6 - Trading of Dematerialized Bonds

The trading of Dematerialized bonds is effected in accordance with the Law on Securities.

Article 7 - Granting of interests in Dematerialized Bonds

- (1) Subject to Article 8, changes or entries to a security account are invalid if the relevant intermediary is not authorized by the account holder or Court decision to make that change or entry.
- (2) All payments from the issuer to the bondholders deriving from the Dematerialized Bond shall be fulfilled by the Account Provider through the Registry.

Article 8 - Acquisition of Dematerialized Bonds in good faith

- (1) Where Dematerialized Bonds are credited to an account at a time when a third party has an interest in the particular securities and its holder is aware of or negligently disregards that the third party's interest therein and the credit would violate the rights of that third party, with respect to that interest:

- a) the account holder is not subject to the interest of the third party;
 - b) the account holder is not liable to the third party; and
 - c) the credit is not invalid nor must it be reversed on the ground that the interest or rights of the third party invalidate any previous debit or credit made to another securities account.
- (2) Paragraph 1 also applies to the pledge over Dematerialized Bonds.

Article 9 - Special issues

- (1) Bearer Bonds which are payable upon delivery shall be issued for a definite term.
- (2) With the exception of the provisions on Dematerialized Bonds of this Chapter, the issuer shall issue and deliver the Bond certificates to the Bondholders. If Multiple Bond Certificates have been issued, upon application of a Bondholder, the issuer shall replace the existing certificates with new ones, incorporating a smaller number of Bonds.
- (3) Until the issuance of permanent Bond certificates, the issuer may issue temporary Bond certificates.

CHAPTER TWO: ACCOUNT PROVIDERS

Article 10 - Activities of the Account Provider

Pursuant to the Law on Securities, the Account Provider shall be responsible for clearing and settlement of transactions of securities held in its accounts.

Article 11 - Granting of an operation license to the Account Providers

- (1) The exercise of the activity of an Account Provider must be licensed by the Authority, in accordance with any applicable law.
- (2) The FSA can issue a regulation specifying terms, conditions, and procedures for licensing of custodians and, further, Account Providers.

Article 12 - Informing the account holders

- (1) The Account Provider shall inform in writing and prior to the transaction the Bondholders trading over the counter Dematerialized Bonds of the Bonds' sale and purchase prices. In particular, the notice shall specify any commissions, fees, charges, the spread between the sale and purchase prices on the particular transaction, as well as to the fluctuation range of the price of the particular Bonds the immediately preceding working day.
- (2) The Authority may issue a regulation determining the specific obligations of the Account Providers as to the information to be provided to the Bondholders in relation to Bonds that are traded over the counter.

Article 13 - Supervision, sanctions, secrecy

- (1) The Authority shall supervise the activities of the Account Providers in accordance with any applicable law.
- (2) The FSA may revoke the license granted to the Account Provider in case the Account Provider no longer fulfils the requirements provided by law.
- (3) In the event that the Account Provider violates its obligations under the law, the Authority can impose a fine, in accordance with the Law on Securities. The FSA can issue a regulation specifying further penalties regarding the violation of the Account Provider's obligations.
- (4) The confidentiality obligations of the Account Provider towards its client accounts, the credits and debits therein, any issue relating to the clearing and settlement of the transactions over securities registered in its accounts and any other issue connected to the Authority supervisory functions, do not apply to the FSA.

CHAPTER THREE: BOND LOAN PROGRAM

Article 14 - Content of program

- (1) A Bond loan issue must be accompanied by a Bond loan program.
- (2) The Bond loan program shall contain in detail the terms of the Bond loan. It shall be binding vis-à-vis the issuer, the Bondholders and successors, as well as any third party beneficiaries thereof.
- (3) The Bond loan program is approved by the body of the issuer which is responsible to decide on the issuance of the Bond loan.
- (4) The Bond loan program must be drafted in language that is clear and comprehensible and must include the information mentioned in article 17 of the Law on Securities and all other information necessary, for investors to make an objective assessment of the investments prospects and risks.

Article 15 - Change of the Bond loan program

- (1) Changes of the Bond loan program must be approved by the group of Bondholders, as defined under Articles 16 and 22.
- (2) The group of Bondholders by a special decision may authorize the Bondholders' agent to negotiate with the issuer and agree upon on the amendment of the Bond loan program. The authorizing decision is to be taken in accordance with Article 22 of this law.
- (3) The authorizing decision of the group of Bondholders must specify the issues which the Bondholder's agent is empowered to negotiate and agree upon and can include specific instructions for the negotiation. The Bondholders' agent is

bounded by the decision and is liable for any damage caused by violating of the instructions of the Bondholders.

- (4) The authorizing decision of the group of Bondholders is notified without delay to the issuer by the Bondholders' agent.

CHAPTER FOUR: GROUP OF BONDHOLDERS

Article 16 - Organizing the bondholders into a group

- (1) In each case of a Bond loan issue in which participate at least two bondholders, it is mandatory to organize the Bondholders into a group. The group of the Bondholders does not have legal personality. In any case where only one Bondholder participates in the bond loan, he/she/it shall be exercising the rights of the group of Bondholders in an analogous manner.
- (2) The date and place for the first meeting is set by the issuer promptly after the issuance of the Bond loan and in any case no longer than 30 days upon the coverage of the bond loan. In the event of the appointment of the bondholders' agent by the first Bondholders' meeting, the rules of Art. 26 are applicable. In case of inability or non legal denial of the issuer to convene the Bondholders' meeting, each Bondholder may at its own initiative seek such a convention through a court decision.
- (3) In case of issuance of a Bond loan in different series, the Bondholders of each series are organized into separate groups. The Bond loan program may provide for all Bondholders to be organized into one group, as long as the terms of the series of Bond loans are the same.

Article 17 - Decision making power of the group of Bondholders

- (1) The group of the Bondholders decides on the issues defined by the present Law and the Bond loan program. The group of Bondholders may not take decisions leading to unequal treatment of Bondholders.
- (2) The group of Bondholders cannot decide on the imposition of additional obligations to the bondholders, where these are not justified from the support of their common interests.
- (3) In case of issues which are not attributed to the group of Bondholders by the terms of the Bond loan contained in the Bond loan program or by the present Law and which concern the rights of the Bondholders in relation to the Bond loan program, the respective rights may be exercise by each Bondholder individually.
- (4) Subject to Article 22 of this Law, the decision of the group of Bondholders must be in accordance with the content of the Bond loan program. Decisions of the group of Bondholders will be invalid, where they are contrary to the terms of the Bond loan contained in the Bond loan program.

Article 18 - Exclusive responsibilities of the group of Bondholders

- (1) The group of Bondholders is exclusively competent to decide on:
 - a) the waiver of any Bondholders' right to a legal means or tool;
 - b) the submission of an application to declare the issuer insolvent or under a liquidation status;
 - c) the settlement of the claims of the Bondholders against the issuer, which derive from the Bond loan program and the law;
 - ç) the release of the security and guarantees which have been granted to secure the Bond loan;
 - d) the consent on the issuer's proposal to issue another Bond loan, the claims of which shall be satisfied in a privileged manner or within the framework of which, rights will be granted to the new Bondholders, which shall result to the impairment of the group of Bondholders' position;
 - dh) the change of the nominal value of the Bond loan or of the interest rate or the manner of its calculation;
 - e) the extension of the maturity of the Bond or of the time of payment of the due interest;
 - ë) the removal and replacement of the Bondholders' agent;
 - f) the termination of the Bond loan;
 - g) the empowerment of the Bondholders' agent to negotiate the terms of the Bond loan contained in the Bond loan program, in accordance with Article 15 of this law.

Article 19 - The meeting of the group of Bondholders

- (1) The meeting of the group of Bondholders is called by the Bondholders' agent or in case no Bondholders' agent exists, by the issuer or, in case of the issuers' liquidation or insolvency by the liquidator or the insolvency receiver of the issuer. The agenda of the meeting is prepared by the person calling the meeting.
- (2) The persons indicated in paragraph (1) shall also call the meeting of the group of Bondholders upon the request of Bondholders representing at least 1/20 of the total value of the Bond loan (or the relevant series). The Bondholders' request shall include the agenda of the meeting. The meeting shall be convened not earlier than ten and not later than twenty working days from the date the relevant request is received. In case the meeting is not convened within the required timeframe, the requesting Bondholders may ask the court to convene the meeting. The court shall also decide the place and time the meeting shall take place. The relevant judicial costs burden the issuer.
- (3) A request of paragraph (2) to convene a meeting prior to six months from the date that a meeting took place which decided on the same issue, can be considered abusive and the requested denied, if there are no new reasons justifying the convention of the new meeting.
- (4) The provisions of the Law on Entrepreneurs concerning the convention of the general meeting of shareholders of a joint stock company shall regulate the

conditions of the convention of the meeting of the group of Bondholders not being regulated by this law or the Bond loan program.

Article 20 - Invitation of the Bondholders

- (1) When registered Bonds are issued and distributed through private placement and until such Bonds are listed in accordance with Article 35, the terms of the Bond loan contained in the Bond loan program may provide that the calling of the meeting of the group of Bondholders shall be conducted by post.
- (2) Upon the listing of the Bonds in any securities market legally operating in Albania, the calling of the group of Bondholders shall be additionally notified through the Daily Official List of the securities market in which the Bonds are listed.

Article 21 - Voting rights of Bondholders

- (1) Every Bond shall grant a right of one vote in the meeting of group of the Bondholders. In case of Multiple Bond certificates, the Bondholder is entitled to as many voting rights as the number of the Bonds incorporated therein.
- (2) In case of a pledge over Bonds, the voting right is exercised by the pledgor of the Bonds, unless otherwise provided for in the pledge agreement or in the terms of the Bond loan contained in the Bond loan program. As to the civil fruits of the Bonds, the provisions of the Civil Code on pledge over rights apply.
- (3) Bondholders can participate in the meeting of the group of Bondholders through a representative. Where the Bond belongs to more than one person, the voting right is exercised through one common representative.
- (4) The issuer who holds its own Bonds can not exercise the voting rights incorporated in its own Bonds: the same applies in case of Bonds over which a pledge has been created on behalf of the issuer.
- (5) Unless otherwise provided for by the law and the terms of the Bond loan contained in the Bond loan program, the provisions of the Law on Entrepreneurs concerning the voting rights of the Bondholders apply with respect to the voting rights of the shareholders of a joint stock company in the general meeting of shareholders, being respectively applied as to the nature and scope of the Bond loan.

Article 22 - Decision making of the meeting of the group of Bondholders

- (1) The group of Bondholders is validly convened when Bondholders representing at least $\frac{1}{4}$ of the total value of the Bond loan are present (or lawfully represented) at the meeting. Decisions are validly taken at an absolute majority of the votes represented in the meeting. If the $\frac{1}{4}$ quorum is not achieved, the meeting of the group of Bondholders is adjourned within 20 working days from the date of the first meeting and convenes validly, irrespective of the size of the Bond loan represented.

- (2) Decisions on the issues listed in Article 18, can be validly taken when Bondholders representing at least 2/3 of the total value of the Bond loan are present or lawfully represented at the meeting. If the 2/3 quorum is not achieved, the meeting is adjourned within 20 working days from the date of the first meeting and validly convenes with a quorum of 1/2 of the total value of the Bond loan. If such quorum is again not achieved, then the meeting of the group of Bondholders is adjourned within 20 working days from the date of the second meeting and validly convenes at a quorum of 1/4 of the total value of the Bond loan. In all the above mentioned cases, decisions are validly taken with a majority of 2/3 of the votes represented in the meeting.
- (3) The Bond loan program may provide for higher quorum and majorities regarding the decision taking **in the meeting of the group of Bondholders.**

Article 23 - Agenda and minutes book

- (1) The group of the Bondholders cannot decide on matters not included in the agenda, unless all Bondholders are present at the meeting and none of them object to the discussion thereof.
- (2) Upon an application of Bondholders representing at least 1/20 of the total Bond loan, the person responsible for convening the meeting as of Article 19 may be requested to include additional issues in the agenda of the meeting already convened. The convening person must insert the additional issues in the agenda, under the condition that the relevant application from the Bondholder(s) is delivered to him at least 10 working days prior to the meeting. The requested additional issues are included and re-circulated at the responsibility of the convening person at least 5 working days before the meeting of the group of Bondholders.
- (3) The issuer keeps a book of minutes in which all decisions of the meetings of the group of Bondholders are recorded.

Article 24 - Complimentary application of provisions of the Law on Entrepreneurs

If it is not otherwise provided for in law or in the terms of the Bond loan contained in the Bond loan program, concerning the decision making of the group of Bondholders, the provisions of the Law on Entrepreneurs on the General Meeting of the shareholders apply, adjusted respectively to the nature and scope of the Bond loan.

Article 25 - Expenses for the operation of the meeting of the group of Bondholders

- (1) The issuer is responsible for the expenses for the preparatory work, the convention and the decision making of the meeting of the group of Bondholders, as well as for the publication of its decisions.
- (2) All the remaining expenses in relation to the operation of the group of Bondholders may be withheld from the payments of the issuer towards the Bondholders through a relevant provision in the terms of the Bond loan contained in the Bond loan program.

CHAPTER FIVE: BONDHOLDERS' AGENT

Article 26 - Appointment of the Bondholders' agent

- (1) The terms of Bond loan contained in the Bond loan program being sold through public offer must provide for the appointment of a Bondholders' agent and his deputy. The Bondholders' agent and his deputy to be appointed shall be selected from a list of candidates (minimum of five persons) drafted by the issuer. The issuer shall convene a meeting of the group of Bondholders for the appointment of the Bondholders' agent within 30 days upon approval of the list of candidates by the Authority, according to Article 27. The criteria for drafting such list shall be detailed in the terms of the Bond loan contained in the Bond loan program. Under circumstances where Bond loans are distributed by means of public offer, only a Bank or a Brokerage Company can be appointed as Bondholder's agent after verification of its license from the Bank of Albania (BoA) to conduct banking activity and after being licensed by the FSA to conduct transactions with Securities.
- (2) In the event that a Bond loan is being sold through private placement, a Bondholders' agent and his deputy can be appointed by the issuer. In such a case the provisions of the present chapter are respectively applicable, apart from the provisions of Article 27 and of Article 28 paragraphs (2), (3) and (4) hereof.
- (3) The Bondholders' agent shall act exclusively in the interest of the Bondholders. The Bondholders' agent and the Bond loan's underwriter cannot be the same person.
- (4) As to transactions concerning the Bond loan and the records in the dematerialized security accounts held by the Account Provider, the provisions on banking secrecy are not applicable vis a vis the Bondholders' agent.

Article 27 - Approval of the list by the Authority

- (1) In case Bonds are to be sold through a public offer and prior to the decision of the group of Bondholders for appointment of the Bondholders' agent, the Authority must approve the list of candidates drafted by the issuer pursuant to Article 26 paragraph (1).
- (2) The list is approved if the proposed persons are lawfully licensed by the Authority. At the time of the submission of their candidacy for the position of the Bondholders' agent for approval, the persons included in the aforementioned list must provide the Authority with a declaratory note, ensuring the Authority that, no conflict of interest as to the exercise of their duties as Bondholders' agent and to the protection of the Bondholders' interests exists at this point.
- (3) The Authority shall be deemed to have approved the list if no rejection has been issued within the above mentioned period of 30 days.
- (4) In case the list is rejected by the Authority, the latter shall provide justification for its decision specifying which candidates do not fulfill the requirements set by

law and the issuer must draft a new list of candidates and submit it to the Authority.

- (5) In case that that Brokerage Firms or Banks licensed by the FSA to conduct transactions with Securities make a false statement as to the conflict of interests mentioned under 2 hereof, a penalty between 1,000,000 to 2,000,000 Leks may be imposed thereupon from the Authority.

Article 28 - Removal and replacement of the Bondholders' agent

- (1) Should a Bond loan be distributed through private placement the Bondholders' agent is replaced unilaterally by the issuer.
- (2) Should a Bond loan be distributed through public offer, the Bondholders' agent, as well as his deputy, can be removed at any time by decision of the group of Bondholders. A meeting of the group of Bondholders may be called, in accordance with the provisions of Article by the issuer upon request of Bondholders representing at least 1/20 of the value of the Bond loan or of the relevant series. The agenda of the meeting should contain the list of candidates, as prepared by the issuer in accordance with Article 19 of this chapter. The issuer is obliged to convene the meeting of the group of Bondholders within 10 working days upon approval by the Authority of the list of candidates. The group of Bondholders will then appoint the new Bondholders' agent, as well as the deputy from such list.
- (3) Should the Bondholders' agent or his deputy lose their capacity as such, upon occurrence of a state of non conformity of his condition with the requirements set by this law, they shall resign immediately upon notice of the occurrence of this fact and notify the issuer. Should they object to their resignation, the issuer at his own initiative or upon request of Bondholders representing at least 1/20 of the value of the Bond loan or of the relevant series will call the group of Bondholders to release them from their duties. The agenda of the meeting should contain the new list of candidates, as prepared by the issuer in accordance with Article 26. The issuer is obliged to convene the meeting of the group of Bondholders within 10 working days upon approval by the Authority of the new list of candidates. The group of Bondholders will then appoint the new Bondholders' agent from such list.
- (4) The removal of the Bondholders' agent or his deputy comes into effect, when a new Bondholders' agent or deputy has been appointed by the group of Bondholders. Until the completion of his removal, the Bondholder's agent may conclude only those actions which are absolutely necessary for the completion of its replacement.
- (5) Upon appointment, the new Bondholders' agent(s) shall inform without delay the issuer on his appointment.

Article 29 - Responsibilities of the Bondholders' agent

- (1) The Bondholders' agent responsibilities are defined exclusively in the provisions of the present law, the terms of the Bond loan contained in the Bond loan program and the decisions of the group of Bondholders.

- (2) Additional competencies to the Bondholders' agent can be attributed by decision of the group of Bondholders with the consent of the issuer. The relevant decision of the group of Bondholders must specify exactly the additional competencies attributed to the Bondholders' agent in such a manner.
- (3) The competencies granted by this law exclusively to the group of Bondholders cannot be delegated to the Bondholders' agent.
- (4) The group of Bondholders is legally represented in court and out of court actions versus the issuer and third parties by the Bondholders' agent.

Article 30 - Representation of the group of Bondholders

- (1) The acts of the Bondholders' agent, even if ultra vires, bind the Bondholders and their successors vis-à-vis the issuer and third parties, unless the issuer or the third party was aware of the ultra vires execution of the Bondholders' agent's duties. The Bondholders' agent is in this case responsible towards the group of Bondholders for any damage caused to them by its actions.
- (2) The Bondholders' agent has the power to start before a court any actions, or execution procedure.
- (3) The Bondholders' agent starts the legal actions in its name without the need for a special authorization from the group of Bondholders, unless otherwise determined by the terms of the Bond loan contained in the Bond loan program.

Article 31 - Suspension of individual proceedings of the bondholders

- (1) Each Bondholder may not individually go against the issuer, doing acts that fall within the responsibilities of the Bondholders' agent, unless he so has been specifically authorized by the group of Bondholders.
- (2) Paragraph (1) does not prejudice the exercise of the rights of Bondholder vis-à-vis the Account Provider, in a dematerialized securities account in which the dematerialized securities of the said Bondholder are kept.
- (3) After maturity of the Bond loan, any Bondholder may individually exercise its rights deriving from the Bond loan and go against the issuer unless differently provided for in the terms of the Bond loan contained in the Bond loan program.

Article 32 - Liability of the Bondholders' agent

- (1) The Bondholders' agent is liable towards the Bondholders in accordance with the terms of the Bond loan contained in the Bond loan program for any misfeasance. The liability of the Bondholders' agent vis-à-vis the issuer cannot be limited through the terms of the Bond loan contained in the Bond loan program as to intention and gross negligence.
- (2) The liability of a replaced Bondholders' agent covers acts or omissions of the latter until its replacement by the new Bondholders' agent.

Article 33 - Fees of the Bondholders' agent

- (1) The fees and any kind of expenses of the Bondholders' agent realized in the interest of the group of Bondholders burden the issuer.
- (2) In case of a compulsory execution speed up by the Bondholders' agent, the fees and any kind of expenses of the latter, which have been realized in favor of the group of Bondholders from the first act of execution and until collection, are considered as execution expenses.

Article 34 - Termination of the relationship between the Bondholders' agent and the group of Bondholders

- (1) The relationship of the Bondholders' agent with the group of Bondholders is terminated in case of death, resignation, revocation of appointment, expiration of term of the Bondholders' agent.
- (2) The terms of the Bond loan contained in the Bond loan program can include other causes of termination.

CHAPTER SIX: BONDS DISTRIBUTION

Article 35 - Manners and rules of distribution

- (1) Bonds may be distributed either through private placement or through a public offer.
- (2) Should Bonds be distributed through public offer, the provisions on public offer set out in the Law on Securities shall apply.
- (3) The issuer which distributes Bonds through a public offer shall within 30 days from the finalization of the distribution, deposit an application for listing the Bonds with a securities market in Albania.
- (4) Negligence of the issuer to list the Bonds in accordance with paragraph 3 above does not result in invalidity as to the issued Bonds. The issuer is responsible to compensate the damaged Bondholders because of his omission or the non-exercise of due care. A penalty between 150,000 to 5,000,000 Leks may be imposed on the issuer by the Authority, depending on the amount, the terms and the number of bondholders of the Bond loan.

Article 36 - Transfer of bonds

- (1) Bonds may be freely transferred, unless otherwise defined in the terms of the Bond loan contained in the Bond loan program.
- (2) Listed Bonds may be transferred over the counter, through an Account Provider, in accordance with the provisions of the Law on Securities.

- (3) The Account Provider, cannot credit bonds into a dematerialized securities account of the transferee without respectively at the same time debiting the account of the transferor in accordance with this law.

Article 37 - Acquisition of own Bonds by the issuer

- (1) Subject to the terms of the Bond loan contained in the Bond loan program or the provisions of this law or any other provision of an applicable law, the issuer can buy back Bonds before maturity.
- (2) The buy-back of its own Bonds requires the prior relevant decision of the body of the issuer which is responsible to decide upon the issuance of a Bond loan. The particular decision may be of general nature, covering more acquisitions in terms of quantity and time and must determine the purpose of the acquisition, the highest amount which the issuer shall dispose off for the acquisition, and the time and manner of the new distribution.
- (3) When Bonds are distributed through a public offering, the issuer's buy-back decision is notified to the Authority and immediately made public.
- (4) The issuer is entitled at any time to rescind, Bonds which have been bought back, as long as these are free from any third parties liens.
- (5) When the issuer buys back his own Bonds, the issuer may not exercise the rights deriving from these Bonds.

Article 38 - Granting of security

The principal, interests and expenses of the Bond loan can be secured by any kind of security or guarantee, provided by the issuer or a third party as detailed in the Bond loan program.

CHAPTER SEVEN: MATURITY OF THE BOND LOAN

Article 39 - Maturity circumstances

Bond loan maturity arises either through the payment of the bonds or the termination of the Bond loan.

Article 40 - Redemption of the Bonds

- (1) The redemption of the Bonds must be made at maturity date.
- (2) Unless otherwise provided for in the terms of the Bond loan contained in the Bond loan program, the redemption of the Bonds takes place for the whole amount. Early redemption of the Bonds is possible, only if so provided in the terms of the Bond loan contained in the Bond loan program.

- (3) At maturity date, the issuer shall pay the nominal value of the Bonds. If Bondholders have purchased the Bond at a price lower than its nominal value, the difference that arises does not constitute interest.
- (4) The exercise of any conversion or exchange rights concerning a Bond loan with Bonds convertible to shares or exchangeable into shares or other transferable securities, is considered as redemption.

Article 41 - Issues relating to interest bearing of redeemable Bonds

- (1) The right of interest ceases upon redemption of the Bond or upon payment of the debt on the principal.
- (2) The insolvency of the issuer does not interrupt the interest calculation of the Bonds.

Article 42 - Procedure of redemption of Bonds in paper form

- (1) Unless otherwise provided in the law or the terms of the Bond loan contained in the Bond loan program, the redemption of Bonds in paper form takes place at the maturity date upon unconditional delivery of the Bonds to the issuer and with a note of payment on the Bond certificate.
- (2) It is possible to partly pay the Bond either through a relevant note on the body of the Bond certificate or with the invalidation of the old Bond certificate and the issuance of a new one for the remaining of the due principal.

Article 43 - Procedure of redemption of Dematerialized Bonds

- (1) At maturity date, a Bondholder can claim redemption of the Bond to the Account Provider. The Account Provider cannot proceed with the payment of the principal and interest, as long as the issuer has not satisfied any obligations towards the Account Provider arising from the Bond loan program.
- (2) The issuer is released from its obligations towards the Bondholders to pay any amount connected to Bond loan program, as long as it pays to the Account Provider the relevant amount in due time. The Account Provider is responsible for the payment of such amounts to the Bondholders or other beneficiaries.

Article 44 - Actions by the Account Provider in case of default of the issuer

- (1) If the issuer does not duly and in due time fulfill with the Account Provider its obligations arising from the Bond loan program, the Bondholder has a claim from the Bond only against the issuer.
- (2) The Account Provider is obliged to notify immediately the Bondholders and the Bondholders' agent, as well as the Authority, upon notice of the non-fulfillment on behalf of the issuer of any of its obligations on the payment of amounts connected to the Bond loan. The Account Provider has to provide the Bondholders' agent with the information which is necessary for the exercise of the Bondholders' rights against the issuer.

Article 45 - Termination of the Bond loan

- (1) The Bond loan program must explicitly and clearly set the terms, conditions and procedures for the exercising of the right of termination, both by the issuer and by the Bondholders.
- (2) The termination of the Bond loan is permitted at any time for a substantive reason.
- (3) Unless otherwise stated in the terms of the Bond loan contained in the Bond loan program, the right of termination of Bond loan distributed through a public offer is exercised by the Bondholders' agent, upon decision of the group of Bondholders. It cannot be exercised by individual Bondholder separately.
- (4) If the Bondholders' agent is not exercising the termination right within the term specified by the group of Bondholders, the group of Bondholders is entitled to replace the Bondholders' agent and inform the Albanian Financial Services Authority. The Authority can impose a fine of up to 500.000 lek to the Bondholders' agent for breach of its duties.

CHAPTER EIGHT: TAX TREATMENT OF BONDS

Article 46 - Tax exemptions

- (1) The transactions described in point 2 of this Article, are subject to income tax.
- (2) The following transactions or acts are exempted from any other tax or any direct or indirect tax, including VAT:
 - a) the issuance of the Bond loan as of the present law;
 - b) the granting of any security in favor of Bondholders;
 - c) all agreements provided for by this law, as well as any relevant or side agreements or acts and the registration of these to the public books, wherever necessary;
 - ç) the issuance of temporary and permanent titles of Bonds;
 - d) the distribution and circulation of these;
 - dh) the payment of the principal from Bonds and business claims covering these:
 - e) in general, the exercise of rights deriving from Bonds which are issued in accordance with the present law and from business claims covering these,;
 - ë) any transfer of Bonds in or outside any securities market; and
 - f) the creation of property liens on Bond loans.

PART TWO: SPECIAL PROVISIONS ON BOND LOANS ISSUED BY JOINT STOCK COMPANIES

CHAPTER ONE: THE DECISION TO ISSUE A BOND LOAN

Article 47 - Competency of the Supervisory Board to issue a Bond loan

- (1) If not otherwise provided in the present law, the decision to issue a Bond loan is taken by the relevant bodies of the joint stock companies in accordance with the relevant provisions of the Law on Entrepreneurs.
- (2) The decision regarding the issuance of a Bond loan is registered in the National Registrations Centre, in accordance with the Law on Entrepreneurs.

Article 48 - Competency of the general meeting of the shareholders to decide on the issuance of a bond loan

The issuer's general meeting of shareholders has the exclusive right to decide on the issuance of:

- a) convertible Bonds;
- b) participating Bonds,; and
- c) exchangeable Bonds.

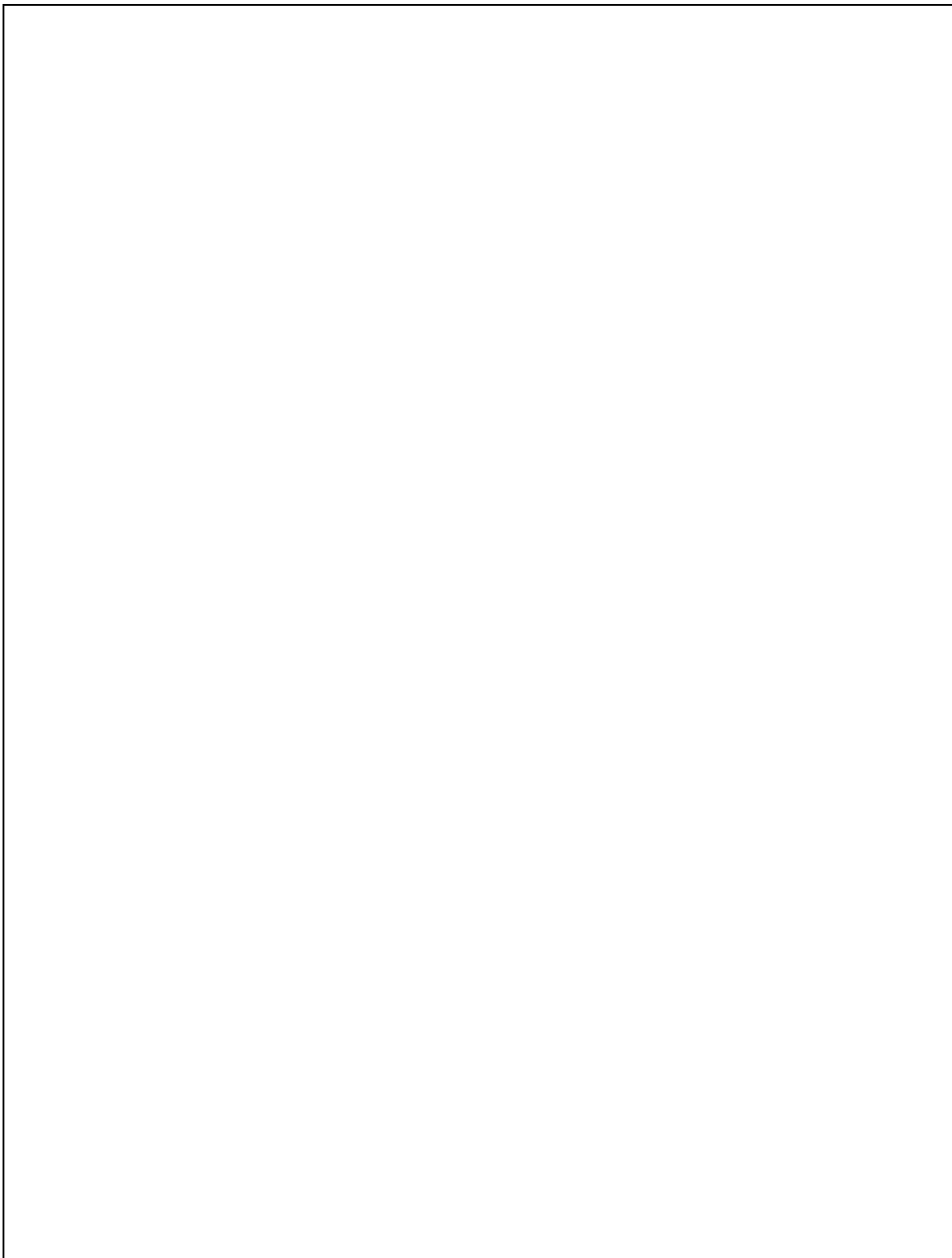
Article 49 - Minimum content of the decision

Subject to the Law on Securities, the decision to issue a Bond loan must determine at least:

- a) the amount of the Bond loan;
- b) the type, nominal value and the number of the Bonds;
- c) the assets for the coverage of the Bond loan;
- ç) the interest rate of the Bond loan and the method of its calculation;
- d) the benefits and security or guarantee in favor of the Bondholders claims which derive from the Bond loan;
- dh) the appointment of the Account Provider, if dematerialized securities are involved or any other authorized person to make payments, where applicable;
- e) the time and procedure of redemption of Bonds and, in general, of the fulfillment of the obligations deriving from the Bonds; and
- ë) the termination procedure and the terms for distribution of the Bonds.

Article 50 - Complimentary application of the provisions of the Law on Entrepreneurs

If it is not otherwise provided for in the present law, matters in relation to the decision of the Supervisory Board or the general meeting of shareholders on the issuance of Bond loans are governed by the provisions of the Law on Entrepreneurs.



Article 51 - Respective application of provisions for Managing Directors

Any provision on rights, duties and authorizations of the Supervisory Board in this law shall apply respectively as for Managing Directors where an issuer has adopted the two-tier system of administration provided for in the relevant articles of the Law on Entrepreneurs.

CHAPTER TWO: GROUP OF BONDHOLDERS

Article 52 - Limit of the responsibility for the conversion of Bonds

The group of Bondholders is not competent to decide on the conversion of the bonds into shares.

Article 53 - Rules for the prevention of conflicts of interests

- (1) A person or entity holding directly or indirectly at least $\frac{1}{4}$ of the share capital of the issuer is not entitled to vote in the meeting of the group of Bondholders.
- (2) A Bondholder cannot be represented in the meeting of the group of Bondholders by:
 - a) the issuer or a subsidiary thereof within the meaning of the Law on Entrepreneurs;
 - b) a person who operates on account of the companies mentioned under a);
 - c) a person which has provided security to the Bond loan, its spouse or relatives up to second degree;
 - ç) managing officers, employees of the issuer or its subsidiaries or any other person who is authorized to represent or supervise the issuer or one of its subsidiaries, as well as the spouse or the relatives up to second degree thereof.
 - d) managing officers, employees or any other person who is authorized to represent or supervise the persons mentioned under c), as well as the spouse or the relatives up to second degree thereof.
- (3) The persons under paragraph 2 can participate in the meeting of the group of Bondholders with voting rights, if they are Bondholders and do not hold directly or indirectly more than $\frac{1}{4}$ of the share capital of the issuer.
- (4) The issuer cannot exercise any voting rights as to the Bonds that it holds and as to the Bonds over which a pledge has been created in its favor.
- (5) A subsidiary of the issuer is not entitled to exercise any voting rights as to Bonds over which a pledge has been created in its favor. The same restriction as to the exercise of voting right applies for the persons of paragraph (2) under b), c) and ç) with respect to Bonds over which a pledge has been created in their favor.

CHAPTER THREE: BONDHOLDERS' AGENT

Article 54 - Limitations as to the person of the Bondholders' agent

- (1) The following persons cannot be appointed as Bondholders' agent:
 - a) the issuer or a subsidiary thereof within the meaning of the Law on Entrepreneurs;
 - b) a person that has provided security related to the Bond loan;
 - c) a person that acts on behalf of the companies mentioned under a);
 - ç) managing officers, employees of the issuer or its subsidiaries or any other person who is authorized to represent or supervise the issuer or one of its subsidiaries, as well as the spouse or the relatives up to second degree thereof;
 - d) managing officers, employees or any other person who is authorized to represent or supervise the persons mentioned under b) as well as the spouse or the relatives up to second degree thereof;
 - dh) the company that has issued shares, Bonds or other transferable securities which are exchangeable within the framework of the Bond loan, unless the addition of the value of the Bonds and the transferable securities issued by the company which is to be appointed as the agent of the Bondholders does not exceed 5% of the total value of the shares, the Bonds and other transferable securities which are offered in the framework of the exchange. For the purposes of calculating the particular percentage, the value of the above transferable securities at the time of appointment of the agent is taken under consideration.
- (2) A Bondholders' agent acting in any of the capacities mentioned in paragraph 1 must immediately resign from the Bondholders' agent position. Replacement shall be conducted in accordance with Article 28.

Article 55 - Participation in the general meeting of the shareholders

- (1) The Bondholders' agent can participate without voting right at the issuer's general meeting of the shareholders, if the agenda contains issues which can be of concern to the group of Bondholders. For this purpose, the issuer shall notify the agenda of all general shareholders meetings to the Bondholders' agent.
- (2) The Bondholders' agent can request the issuer's Supervisory Board to the information necessary to assess the issues in the agenda, according to the same terms and conditions applicable to shareholders. The issuer's Supervisory Board can refuse to provide the information only for a substantive reason. Such refusal shall be provided in writing and be sufficiently justified.

CHAPTER FOUR: CONVERTIBLE BONDS

Article 56 - Decision on the issuance of a bond loan convertible into shares

- (1) The decision of the general meeting of shareholders is to be taken with a presence quorum of $\frac{2}{3}$ of the paid up share capital and by a majority vote of $\frac{2}{3}$ of shareholders present or represented in the general meeting. If the $\frac{2}{3}$ presence quorum is not achieved, the general meeting is adjourned within 20 working days from the date of the first call and validly convenes with a presence quorum of $\frac{1}{2}$ of the paid up share capital. If such quorum is again not achieved, then the general meeting of shareholders is adjourned within 20 working days from the date of the second call and it validly convenes with a presence quorum of $\frac{1}{4}$ of the paid up share capital. In all cases the decision is taken by a majority vote of $\frac{2}{3}$ of the shareholders present or represented at the general meeting of the shareholders.
- (2) Without prejudice to Article 49, the decision of the general meeting of shareholders for the issuance of Convertible Bonds shall also include the following elements:
 - a) the terms of exercise of the conversion right;
 - b) the price or the ratio of the conversion of the bonds or their range;
- (3) If there are more categories of shares, the decision of the general meeting of shareholders on the issuance of the Convertible Bonds requires the approval of the category of which are affected by such decision. The quorum for such decision approving the shareholders category or categories is taken by a quorum and the majority of paragraph 1.
- (4) The decision to issue Convertible Bonds is registered in the National Registrations Centre, according to the Law on Entrepreneurs.

Article 57 - Rules on the payment of the value of the Convertible Bonds

- (1) A Bond loan with Bonds convertible into shares may not be issued at a value below the nominal value of the issuer's share.
- (2) The distribution value of the Convertible Bond must be fully paid before the conversion right can be exercised.
- (3) When exercising the conversion right the undertaken shares have a nominal value equal or smaller than the issuance price.

Article 58 - Certification of the payment of the bond value and the conversion price

In order to complete the share capital increase of the issuer as a consequence of the conversion of the Bonds into shares, the Supervisory Board of the issuer must have certified the payment of the value of the Bonds and any conversion price. Accordingly, the provisions of the Law on Entrepreneurs are appropriately applied as to the share capital increase, in analogy to the nature and the scope of the Bond loan.

Article 59 - Pre-emption rights

- (1) With regard to the issuance of bonds convertible into shares or participating bonds, a pre-emption right must be granted to the shareholders of the issuer as to the acquisition of the particular Bonds.
- (2) The exercise of such a pre-emption right shall be conducted in accordance with the terms provided for by the Law on Entrepreneurs regarding the exercise of the pre-emption rights in case of a share capital increase with an issuance of new shares.
- (3) Exclusion from the pre-emption rights is only allowed by a decision of the General Meeting, under the terms and conditions provided for in the Law on Entrepreneurs on the exclusion from the pre-emption rights in case of issuance of new shares.

Article 60 - Conversion rights

- (1) The exercise of the conversion rights shall be conducted by the following manner:
 - a) concerning paper bearer Bonds, by the legal holder of the title;
 - b) concerning paper registered Bonds, by the legal holder of the title who is registered in the registry of the issuer;
 - c) concerning Dematerialized Bonds, by the beneficiary of the dematerialized securities account held with the Account Provider as to the relevant bond. Accordingly, the Account Provider grants a certificate to the issuer.
- (2) The conversion right may not be transferred but only jointly with the Bond.
- (3) The conversion right may not be revoked by a decision of any corporate body of the issuer.

CHAPTER FIVE: BOND LOAN WITH EXCHANGEABLE BONDS

Article 61 - Content of the bondholders' rights

The terms of the Bond loan contained in the Bond loan program must accurately and clearly describe the type and the quantity of the transferable securities which are offered for exchange and any other issue in relation to the content and the procedure of exercise of the exchange right of the Bondholder.

Article 62 - Amount of the bond loan and obligations of the issuer

- (1) The issuance of Bond loans with exchangeable Bonds is not subject to a quantitative limitation, unless the articles of association of the issuer state otherwise.
- (2) The issuer is obliged to ensure that, where the exchange right is exercised by the Bondholders, the underlying transferable securities shall be available to them in

accordance with the terms of the Bond loan contained in the Bond loan program, free of any liens.

- (3) The terms of the Bond loan contained in the Bond loan program must accurately and clearly describe the measures that have been taken by the issuer, in order to ensure the fulfillment of its obligations for the transfer of the underlying transferable securities to the Bondholders and, in particular, must describe whether the issuer itself or a third party already holds or shall hold the underlying transferable securities, the manner and the time of such holding.

CHAPTER SIX: THE BOND LOAN WITH PARTICIPATING BONDS

Article 63 - Meaning and content of the participating bonds

- (1) The general meeting of the shareholders of the issuer decides upon the issuance of a Bond loan with participating bonds, in accordance with the provisions of the Law on Entrepreneurs. The general meeting resolves with the quorum and the majority vote set out in Article 49 of the present law.
- (2) The participating Bonds provide to the Bondholders a right either to receive, apart from the interest, a specific percentage over the gains or to receive an additional benefit, which depends on the size of production, of the gains or in general the results of the issuer, as to be specifically and clearly defined in the terms of the Bond loan contained in the Bond loan program. The terms of the Bond loan contained in the Bond loan program shall also determine any matters concerning the priority as to the participation of the Bondholders in the gains.

PART THREE: SPECIAL PROVISIONS ON BOND LOANS ISSUED BY LOCAL GOVERNMENTS

CHAPTER ONE: Bond Issuance - Obligations of the issuer

Article 64 - Short-term and Long-term Bond loans

- (1) Local Governments may issue Short-term and Long-term debt in the form of Bond loans according to the provisions of the Law on Local Government Borrowing.
- (2) In addition to the provisions of the Law on Local Government Borrowing, Bonds issued by Local Governments must contain the elements described in Article 4 paragraph 1 of the present Law.

Article 65 - Competency for the issuance of a Bond loan

The decision to issue a bond loan is taken from the competent decision - making bodies of the Local Governments, according to the provisions of Law on Local Government Borrowing.

Article 66 - Obligations of the issuer

- (1) A Local Government which has issued a Bond loan is mandatorily audited each fiscal year by an external chartered accountant.
- (2) The report of the external chartered accountant authorized for the above mentioned audit must be conducted for every fiscal year until the 30th of April of the preceding financial year and is made available to any Bondholders at the expense and responsibility of the issuer.

CHAPTER TWO: PREVENTION OF CONFLICTS OF INTEREST - RIGHTS OF THE BONDHOLDERS' AGENT

Article 67 - Rules for the prevention of conflicts of interest

- (1) A Bondholder may not be represented in the Bondholders' meeting by:
 - a) the issuer or an enterprise operated by the issuer or a joint powers authority;
 - b) a person which operates on account of the persons mentioned under a);
 - c) a person which has provided any kind of security of the Bond loan and its spouse or relatives up to second degree thereof;
 - ç) employees of the issuer or any other person who is authorized to represent or supervise the issuer or an enterprise operated by the issuer, as well as the spouse or the relatives up to second degree thereof;
- (2) The persons covered in paragraph (1) may participate themselves in the meeting of the group of Bondholders with a voting right, if they are themselves Bondholders.
- (3) The issuer is not entitled to exercise any voting rights regarding its own Bonds and Bonds over which a pledge has been created in its favor.
- (4) An enterprise operated by the issuer or a joint powers authority, participant of which is the issuer, is not entitled to exercise any voting rights as to Bonds over which a pledge has been created in its favor. The same restriction as to the exercise of voting right applies for the persons of paragraph (1) under b), c) and ç) with respect to Bonds over which a pledge has been created in their favor.

Article 68 - Limitations as to the Bondholders' agent

- (1) In accordance with Article 26 of the present Law, it is forbidden to appoint any one of the following persons as the Bondholders' agent:

- a) the issuer or an enterprise operated by the issuer or a joint powers authority, participant of which is the issuer;
 - b) a person which operates on account of the persons mentioned under a) of point 1, Article 67 of this Law;
 - c). employees of the issuer or any other person who is authorized to represent or supervise the issuer or an enterprise operated by the issuer, as well as the spouse or the relatives (up to second degree) thereof.
- (2) If the agent is acting in any of the above capacities, it is obliged to resign. Its replacement shall be conducted in accordance with Article 28 of the present law.

Article 69 - Rights of the Bondholders' agent

- (1) The Bondholders' agent has the right to participate in the meeting of the management body of the issuer, without any voting rights, when the agenda addresses subjects which concern the interests of the group of Bondholders. In such cases the management body, at its own initiative, shall notify the Bondholders' agent of the agenda and invite him to the meeting.
- (2) The Bondholders' agent may request the provision of information which is useful for the actual evaluation of the subjects of paragraph (1) in the same terms and conditions which apply for the members of the management body of the Local Government.

Article 70 - Entry into Force

This Law enters into force 15 days after the publication on the Official Gazette.

Speaker
Jozefina Topalli (Coba)