ADDENDUM

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Category: Opinions

These documents are supplements to

The Sins of Sargsyan & Co. Visit Pashinyan

Case No: EKD 0173/01/10

Decision

For Republic of Armenia

THE CRIMINAL COURT OF APPEAL

Presiding judge: M. REHANYAN

Judge: A. DANIELYAN

Judge: M.ARGHAMYAN

Secretary: M. Melqonyan

Participants:

Prosecutor: A. Amirzadyan

Defender: U. Khachatryan

Yerevan

Date: 09 November 2010

In a public court hearing reviewed the appeal cases lodged by defender U. Khachatryan and prosecutor A. Amirzadyan against 11.08.2010 judgment of the court of general jurisdiction of Kentron and Nork-Marash administrative districts on Levon Khachatryan accused under Article 179, Part 3,1 and Article 205, Part 1 of the Criminal Code of RA.

ASCERTAINED

1. The juridical prehistory of the case:

In National security service investigative body, on 15 July, 2009, the criminal case N61203509 was instituted by A. Goyunyan /the head of department of cases investigated by National security service of General Prosecutor office/, according to Article 178, part 3.1 and 3.2 of Criminal Code of RA.

On 26.07.2009 Levon Khachatryan apprehended and was arrested on the same day by investigator A. Aghajanyan.

On 29.07.2009 Levon Khachatryan was involved as accused by the decision of investigating body, according to Article 178, part 3.1 and 3.2 and article 190, part 3.1 and 3.2 of Criminal Code of RA.

On 29 July, 2009 investigative body demanded to arrest of L. Khachatryan, the demand was satisfied by the decision made on the same day.

On 23 October, 2009 the materials received from the Tax Service of Armenia were joined to the materials of criminal case N61203509 for joint solution, according to decision of the investigative body.

On 11, June 2010 the accusation of Levon Khachatryan was changed and he was accused according Article 179, point 3.1 and Article 205 part 1.

On 11 June, 2010 Levon Khachatryan was involved as accused according to Article 179, point 3.1 and Article 205 part 1.

On 11 June, 2010, investigative body, made a decision N 61203509 according to which he separate from criminal case «The theft of somebody's property, in significant amount and evasion of taxes in a large amount with a prior agreement by a group of people don't ascertained by investigation » according to the Article 179 part 3.1 and Article 190 part 3.1.. It was submitted for continuing the case investigation. The criminal case N61203509 was send to the Court of General Jurisdiction of Kentron and Nork-Marash Administrative Districts on 28, June, 2010, with indictment.

The court of Kentron and Nork-Marash districts of Yerevan issued a judgment dated 11.08.2010

/case no. ԵԿԴ/0173/01/10/ by which **Levon Khachatryan** was found guilty of crime provided by Article 205 part 1 and Article 179 part 3.1 Criminal Code of RA /embezzlement/, and sentenced to 6 years imprisonment without confiscation of property, as well as 800.000 AMD fine. According to part 4, Article 66 of Criminal Code of RA, at the result of cumulating the punishments, the final punishment is 6 year imprisonment in appropriate criminal executive institution, without confiscation of property and 800000 AMD fine.

The punishment begins from July 26, 2009.

Detention /the precautionary measure/ leave unchanged till the judgment will enter into force; satisfy the civil claims.

A levy was assigned to Levon Khachatryan for:

- 12,022,516 /twenty-two thousand twelve million five hundred sixteen/ AMD as a compensation for the damage caused by the crime in favor of the state budget.

- 2.940.815.961 /two billion nine hundred forty two million eight hundred fifteen thousand nine hundred sixty one/ AMD in favor of the "Sar Capital" LLC, as stolen and embezzled money and "Nissan Pathfinder" vehicle value of 12,782,826 /twelve million seven hundred and eighty-two thousand eight hundred and twenty-six/ AMD ... ".

All the materials and proofs submitted to the court as well as the tax case of “Khrist Khach” LLC leave attached with criminal case.

The defender of detainee U. Khachatryan and prosecutor A. Amirzadyan lodged the appellation claims against 11.08.2010 judgment of the court of general jurisdiction of Kentron and Nork-Marash administrative districts.

2. The facts of the case

The detainee Levon Khachatryan accused under Article 179, part 3.1 and Article 205, part 1 Criminal code of RA.

Levon Khachatryan charged in the following:

On May 8, 2009 Levon Khachatryan, an authorized person of “Septrade Limited” Company in the Republic of Armenia registered in Seychelles Islands, having been appointed a director of “Sar Capital” LLC owned by “Septrade Limited” Company and registered in the Republic of Armenia under the order of Marat Yeltaev, the former advisor on security of general director of “BTA Bank” CJSC, exercising the management of the company during the period between May and July of the year 2009 for the purpose of stealing the loan assets of “Sar Capital” LLC of the debtor’s right of “inactive” credit liabilities acquired under the cession contracts in the sum of 4.912.242.345.91 AMD equivalent to 15 million USD subject to repayment, secured by pledges at the cost of 29 million USD, allocated to 29 creditors during the period between 2006 and 2008 by “BTA Bank” CJSC in the sum

of 3.698.973.049.66 AMD equivalent to 11.700.00 USD granted by "Septrade Limited" and for receiving cash from the borrower and appropriating thereof for the removal of the pledged property from the ban, having come to an agreement with the individuals yet unidentified by the investigation, demanded from 18 borrowers, legal entities and natural persons and received all in all 2.940.815.961.10 AMD, including prior to the appointment to the post of a director, the sum of 77.000.000 and 18.500.000 AMD accordingly granted to Davit Pirinyan and Director of "50*50 Company Arsen Nurijanyan" as credited by the borrowers to the bank account of "Sar Capital" LLC and under the loan and car sale contracts, as well as the pledged car "Nissan Pathfinder" costing 12.782.826 AMD provided to him by the ex-director. Later he provided the borrowers with cash receipts confirming the payment orders and removed their pledged property from ban and stole the money and the car together with his accomplices.

Besides, from 16 December to the end of April 2016, he was director of ''Khrist Khach'' LL company, which is registered in Shahumyan village of region Armavir and executed retail trade of telephone cards obtained from ''AMQS'' LL company. The period of time mentioned above evaded of taxes at the rate of 12.022.516 AMD.

1. The grounds, facts and the demand of appeal.

The appeal examined in the frame of following grounds. In the appeal the defender Khachatryan mentioned that the court of first instance gave a strict punishment such as imprisonment of 6 years for the crime of Article 179 part 3.1, which violated the requirements of Article 61 of Criminal Code of RA.

The court of general jurisdiction unjustified didn't conclude that it is possible to change L. Khachatryan with the mild punishment of the same article. With the same the Court violated the requirement of Article 63 point 3. The court didn't mention any aggravating circumstance, and also didn't mention why he didn't gave the mild punishment.

Guided by articles 376, 3761, 377-379, 3801, 381 and from all above mentioned demanded to Court of General Jurisdiction of Kentron and Nork-Marash Administrative Districts to revoke the judgment of 11.08.2010 N ԵԿԴ/0173/01/10, and to modify in partly, to made a judgment according Article 179 part 3.1 and to give a mild punishment. As well as execute the requirements of Article 64 and to give L. Khachatryan mild punishment, than prescribed by law.

Prosecutor Amirzadyan in the appeal mentioned the following: <He found that11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts doesn't grounded concerning the punishments of L. Khachatryan, there was a court mistake. In the judgment there were violation of material rights, the court did not estimate the nature and social danger of the crime, they weren't estimated in combination, as a result the court gave Khachatryan obviously melt punishment.

In regard of punishment, the court's judgment subject to change. Although L. Khachatryan pleaded guilty, but he did not express regret. According to the accusation and judgment Khachatryan committed the crime with others not ascertained yet, but he refused this fact, he do not admit it not while investigation, not while trial. Khachatryan announced that he committed the crime personally, without help and participation of others. Therefore, we could not speak about regret expression. Besides, Khachatryan regretted about the lost money, instead of theft. While investigative body and then court considered grounded the theft of somebody's property.

In such conditions the court Khachatryan punishment such as fine according to Article 203 part 1 of Criminal Code of RA, while Khachatryan gave to state damage in amount of 12.022.516 AMD. Besides, Khachatryan condemned according Article 179 part 3.1 of Criminal Code of RA for theft of 2.940.815.961 AMD and <Nissan Pathfinder> car and he did not repay noting. So speaking about the aims of punishment as the principles of punishment, the court should aim to restore the justice. However, the less strict punishment the court couldn't ensure the aims of punishment, so the court must sentenced the more strict punishment, but in this case the punishment is obviously mild.

Nature of the committed crime gives apprehension about intensions of Khachatryan and his criminological type. The personal characteristic of criminal includes all circumstances such as his treatment to committed crimes, so the court had to take into consideration and exanimate the criminal not as abstract person, who sentenced to criminal punishment, but as a person with personal characters who acted in particular circumstances with particular aims.

In case of considering the facts mentioned above, the court should sentence Khachatryan to justify the punishment, in correspondence with aims of criminal law punishment.

Taking into consideration all mentioned above he demanded to change 11.08.2010 judgment of the Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts. He demanded to change the punishment according to Article 179 part 3.1 and Article 205 part 1 of Criminal Code of RA sentenced in the judgment. He demanded to sentence L. Khachatryan to imprisonment in term of 8 years and confiscation of property in amount of 2.940.815.961 AMD according to Article 179 part 3.1of Criminal Code of RA and to imprisonment in term of 2 years according to Article 205 part 1 of Criminal Code of RA. Cumulating the punishment according to Article 66 part 4 of Criminal Code of RA sentence to final punishment: imprisonment in term of 10 years and confiscation of the property in amount of 2.940.815.961 AMD.

To leave the rest of the judgment unchanged.

4. The arguments and the conclusion of the Court of Appeal.

Investigating the appeal cases submitted by defender U. Khachatryan and prosecutor A. Amirzadyan, in the frame of above stated grounds, the Court of Appeal decides to leave unchanged 11.08.2010 judgment of the Court of general jurisdiction of Kentron and Nork-Marash administrative districts on Levon Khachatryan as well as to reject the appeal cases (complaints) with

following arguments:

The court of appeal notes that according to the article 64.1 of the criminal code of RA if there are exceptional circumstances concerned with the motives of the crime and its purpose, the role of the perpetrator, and his behavior when committing the crime and thereafter, which essentially reduce the extent of danger of the crime for the society, as well as, if a member of the group crime actively assists in solving the crime, a softer punishment can be assigned than the minimal envisaged punishment in the appropriate article of the Special Part of this Code, or a softer type of punishment, than envisaged in that article, or no compulsory supplementary punishment may be applied.

Pursuant to the 2nd part of the same article the individual mitigating circumstances as well as a combination of such circumstances can be considered exceptional.

According to above mentioned, in order to assign a minimal envisaged punishment it needs the exceptional circumstances which essentially reduce the extent of danger of the crime for the society.

The articles 10 and 61 of criminal code of RA defines that the punishment and other legal and penal measures applied to the person who committed an offence must be fair, appropriate to the gravity of the crime, to the circumstances in which it was committed, to the personality of the criminal; they must be necessary and sufficient to correct the criminal and to prevent new offences. The type and degree of punishment is determined by the extent of social danger of the crime and its nature, by the characteristic features of the offender, including circumstances mitigating or aggravating the liability or the punishment.

According to the article 48.2 of Criminal Code of RA the purpose of punishment is applied to restore social justice, to correct the punished person, and to prevent crimes.

The Court of General Jurisdiction while assigning the punishment to Levon Khachatryan was taking into consideration the characteristic of detainee, the fact of his pleading guilty, the positive descriptions of neighbors, the fact that he is young, that he assists on resolving the committed crime, the marital status of the accused, and the fact of 2 children under his care, as well as the court doesn't pronounce aggravating circumstances and assigned a proportional punishment.

In condition of complaints submitted by defender and claimant, by examining the sentence of Levon Khachatryan, the court of appeal found that the court of general jurisdiction took into consideration the nature and the extent of social danger of the crime, the characteristic of accused as well as the mitigating circumstances of crime and the absence of aggravating circumstances, the court came to the justified conclusion and sentenced Khachatryan according to the part 1 of the article 179.3 and the article 205.1 of the Criminal code of RA.

Besides, in the appeal the defender demanded to take into consideration the characteristics of his

client and execute the punishment provided in the article 64 of criminal code of RA. By analyzing the above stated arguments the Court of appeal found that the court of general jurisdiction sentenced Khachatryan to justified punishment and the characteristic and the facts of the case could not considered as the exceptional circumstances for punishment according to the article 64 of criminal code.

In this case, the court of appeal doesn't recognize any exceptional circumstance for sentencing mild type of punishment, than envisaged in the article 179.3, part 1 of criminal code of RA.

The court of appeal considered grounded and legal the punishment assigned to accused Levon Khachatryan by the Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts, thus the arguments mentioned in submitted appeals could not be the ground for rejection the judgment as well as for modifying the punishment.

The criminal court of appeal, guided by Article 92 of RA Constitution, Article 23, 390,393-394.402 of RA Criminal Code, decided to leave unchanged the 11.08.2010 judgment of the Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts, made according to Article 179 part 3.1 and Article 205 part 1 of RA Criminal Code. The Court decided to reject the appeals of U. Khachatryan and clamant Amirzadyan.

This decision could be appealed to the Court of Cassation from the moment of announcement, during a month.

Presiding judge

Judges

True with original

The presiding judge M.Rehanyan

Signatures`

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To International Center for Settlement of Investment Disputes (ICSID)

of World bank /USA, Washington .../

APPLICATION

(about initiating an arbitration proceeding against the Republic of Armenia)

The motive of filing the current application is not implementing the positive responsibilities undertaken by interstate and international legal acts (hereinafter "current Legislation") of Republic of Armenia (hereinafter "RA or Armenia"), in the issue of defending legal rights and interests of foreign investor, Georgy Iosifyan for criminal case associating with investments implemented in Armenia by Iosifyan, conditioned by which no comprehensive and objective investigation is being implemented for Iosifyan's case as well as is separated from the present investigation the criminal group's members and up to day is not implemented any investigation with that part and is being prescribed a mild sentence to one member of thereof group.

Especially, based on state body's unlawful act and in the result of the illegal transactions of the criminal group "Sar Capital" LLC, which was implemented his activity at the expense of Georgy Iosifyan's investment, lost 9.500.000 USD, securities /movable property and real estate/ in the amount of 25.000.000 USD were released. These processes led to complete failure of the investment project. A project, promising at least 20.000.000 USD accrue, from which 8.000.000 USD as profit, within a tenure of 2 years /from December 2008 till December of 2010/, in return of 12.000.000 USD.

1. **Short description of the nature of Iosifyan's case:**

1. In 2008 in the "BTA Bank" closed joint stock Company in Armenia (hereinafter "The Bank") the total amount of "non-performing" loans (5^{th} level of risk) reached nearly 16 million US dollars, and the Bank's authorized capital was US $ 20 million. In such conditions The Bank was not able to guarantee the minimum authorized capital established by the Central Banks which is 5 milliard AMD (16.340.000 USD) and in case of absence of "non-performing" loans <Cleaning> from the bank's balance sheet could revoke the license of the bank by Central Bank.

To overcome this situation, the Bank's management was negotiating with Georgy Iosifyan and obtained a mutually beneficial agreement according which George Iosifyan in price of 12 million US $ by cession contract gain "non-performing" loans of 29 credit packages 16 million US $, which liquidation price was estimated 29 million US $ secured by collateral.

1. This investment project was financially beneficial deal for George Iosifyan as.

a/ the difference amount of the obtained right by investment was approximately 4,000,000 US $,

b/ furthermore, the 29 loans were granted annual rate of 14%-19% and it provides 200.000 USD monthly income of interest, which ensures for a minimum annual income of 2.400.000 US $. And if we consider that all these loans risky of 5th degree, then, the applicable penalties are inevitably and

so annual profits, after implementation of tax liabilities, would consist no less than 2.000.000 US dollars.

c/ Eventually, all loan obligations were secured with liquidation prices of the estimated US $ 29 million collateral, whose market value was not less than 40,000,000 US dollars as in the banks of Armenia the difference the liquidation value of the collateral and their market values is at least 25-30%.

It turns out that, in exchange for the investment 12.000.000 USD, Iosifyan acquired

- The demand right on 16,000,000 US dollars, that is, US $ 4,000,000 net profit + annual profit of US $ 2.000.000, and, at worst,
- Property right for eligible collateral with 40,000,000 US dollars liquidation value, which sale would ensure a minimum US $ 20,000,000 as well as 8.000.000 as profit.

1. Having the aim to implement the arrangements on the above-mentioned program and to save the time on founding the company, the president of Bank's council Noor Barbergenov instructs to his adviser Marat Yeltaev to found "SAR CAPITAL" LLC by the name of bank's driver Mher Galstyan. In 04.12.2008 founded "SAR CAPITAL" LL Company and Mher Galstyan was registered as sole owner and director of company.

1. George Iosifyan, being a shareholder registered in the Republic of Seychelles "Septrade Limited" Investment Company, by order of president of Bank's council Noor Barbergenov, was on 10.12.2008 authorized Marat Yeltaev from "Septrade Limited" company to act on behalf of "Septrade Limited" Investment Company and to buy 100% shares of the company from participant of "SAR CAPITAL" LLC Mher Galstyan, to designate The Bank's experienced employer /Armen Sargsyan/ as director of "SAR CAPITAL" LLC and to implement other necessary actions and the assumption of the Company's management until Georgy Iosifyan arrival to Armenia.

The above mentioned power of attorney was validity until 16.04.2009.

1. Marat Yeltaev, who act by 10.12.2008 power of attorney, on 17 December, 2008 purchased "Sar Capital" LLC's 100% interest and appointed Armen Sargsyan as a director of the company. Then, in December 2008 Marat Yeltaev dealing with Armen Sargsyan had ensured the transaction of 11.600.000 USD from 12 million USD from "Septrade Limited Investment Company" to "Sar Capital" LLC's account through which in 23.12.2008 and 27.12.2008 it was being signed the 28 cession contracts. Based on these contracts on 30 December, 2008 a hand-acceptance act was formed, pursuant to which "Sar capital" LLC acquired from Bank 28

loan packages, total value: 4.729.316.995 AMD /$1=AMD 306,73 on the day's exchange rate, about $ 15.418.500) by 3.552.046.421 AMD /$1= 306,73 AMD exchange rate on that day, about $ 11,580,368/ payment.

1. From the beginning "Sar Capital" LLC's bank accounts and the office originally were in the BTA bank, and after appearance of the new director Levon Khachatryan, "Sar Capital" LLC's office moved to another address.

1. **The crime committed against “Sar Capital” LLC**

1. As above stated Georgy Iosifyan was planning to arrive in Armenia after April 2009, in June-July in order to personally take over the management of “Sar Capital” LLC's affairs.

However, in April, 2009, “Sar Capital” LLC director Armen Sargsyan, analyzing the facts, that:

- Based on the assignments of his manager Marat Yeltaev, who was the adviser of chairman of board of the Bank Noor Barbergenov, there were transferred from "Sar Capital" LLC's account 30,800 US dollars and 77 million AMD / about 250,000 US dollars / money to "Arindj Alco" LLC and on behalf of David Pirinyan, as well as the money laundering trasactions as advance payment 18.500.000 AMD /US $ 60,000/ provided with car purchase and sale contract to "50*50" LLC,

- as well as on March 23, 2009 Marat Yeltaev was dismissed from the position of Bank's chairman adviser and left permanently Armenia, and Sar Capital LL company was entirely brought under Mher Avetisyan's control, and de facto belonged to him. He witnessed the beginning of illegal release of pledged property, namely, he witnessed how pledged property was released at insignificant or notable price in cash which was pilfered afterwards.

- Sargsyan was afraid and not willing to take part in criminal activities. Thus he approached Noor Barbergenov requesting resignation from director's position in the early days of May 2009. Then on May 8, 2009 Sargsyan met the new director Levon Khachatryan who gave him the decisions according which Armen Sargsyan resigned from the “Sar capital” LLC’s director's position and Levon Khachatryan was appointed to the position thereof. He doesn’t have any information about Levon Khachatryan appointment. According to the evidences of Armen Sargsyan, he rendered to him all credit cases and documents, as well as the company's founding documents and seal, and Yevgeny Kolomiets’s loan collateral vehicle Nissan Pathfinder. Sargsyan was helping Levon Khachatryan also in different questions related to credits and borrowers. "BTA Bank" CJSC borrower and responsible for "wheat credits" Mher Avetisyan call to him and interested with issues related to borrowers.

Avetisyan told that the bank's founders and authorities had been assigned to him being informed about all that queries. (The Bank, in fact, did not have any jurisdiction over the "Sar Capital" LLC). Sargsyan doesn't have any other information about the actual intents.

1. Marat Yeltayev's power of attorney for acting on behalf of "Septrade Limited" LLC has expired on 16.04.2009, thus he did not possess the authority to replace the director in "Sar Capital''.

However, in order to continue their criminal activities, Marat Yeltaev established a false reference issued from 08.05.2008 decision, according which Armen Sargsyan resigned from the director's position, and upon Mher Avetisyan's directions, Levon Khachatryan was appointed to the position thereof.

The abovementioned changes of "Sar Capital "LL Company's CEO has registered on May 11, 2009 by the Agency for state registry of legal entities of the RA Ministry of Justice.

Using the authority received by the illegitimate registration, in the time frame up to July of 2009, and under direct control of Sar Capital's de facto manager Mher Avetisyan, in the process of "mutual compromises" towards borrowers' loan securities /movable property and real estate/ worth 25.000.000 USD was released. Especially,

- The finances received from borrowers in the amount of 60.000.000 AMD /over 160.000 USD/ were transferred to "Sar Capital" LLC's account, then in order to embezzle /money laundering/ and further legalize, those transferred to various personal accounts, and accounts of legal entities, then en cashed.
- The following cash receipts which were known as evidence within criminal case, but in reality were false documents /as it was containing information which does not correspond to reality/:

- 01.06.2009 the receipt of the payment provided by 6 creditors to "Sar Capital" LL company on 4.486.062 USD equivalent to 1.659.843.032 AMD,

- 02.06.2009 the receipt of the payment provided by 4 creditors to "Sar Capital" LL company on 1.775.664 USD equivalent to 656.995.620 AMD,

- 03.06.2009 the receipt of the payment provided by 2 creditors to "Sar Capital" LL company on 1.241.609 USD equivalent to 459.395.157 AMD,

- 03.07.2009 the receipt of the payment provided by 2 creditors to "Sar Capital" LL company on 184.642 USD equivalent to 66.471.200 AMD,

- 07.07.2009 the receipt of the payment provided by 2 creditors to "Sar Capital" LL company on 263.812 USD equivalent to 95.500.000 AMD. The above mentioned amount of money, according to the ridiculous evidences of Levon Khachatryan given in the frame of the criminal case, **§he assures that the money was lost on his way from the office to house. Since there is no any concrete evidence of him losing the money, he is unable to prove it.¦**

But the most ridiculous thing is that the Court, in the face of the "mysterious" circumstances seised and examined /it will be state after/ the criminal case no. ԵԿԴ/0173/01/10, Judge Karine Ghazaryan, by the 11.08.2010 judgment of the Republic of Armenia, this ridiculous statement of Levon Khachatryan considered as a confession, and in the judgment the court pronounces thereof confession as the mitigating circumstance of Levon Khachatryan's penalty. **The court records the fact that «as he confessed he assists in the investigation and the revealing of the committed crime.**

1. Consequently, the embezzlement from "Sar Capital" LL company included:

- 2.940.815.961 AMD, which roughly equals to 9.500.000 USD,

- Nissan Pathfinder vehicle, for the price of 12.782.826,

- Securities with total worth of 25.000.000 USD /movable property and real estate/ were released.

1. In July 2009 George Iosifyan arrived in Yerevan for the purpose of conducting an audit in "Sar Capital" LLC, and he found the office of the company empty, the documents and the stamp of the company destroyed by Levon Khachatryan. Mher Avetisyan refused to return the money.

George Iosifyan filed a notice about the crime with the General Prosecutor's office of RA. As a result, **on 15 July, 2009** by A. Goyunyan /the Chief of the Department for Investigation by National Security Agencies of the Prosecutor General's Office/, it has been launched the criminal case number 61203509 by point 1 and 2 of part 1 of the article 178 of the Penal Code of RA /the fraud committed to large-scale and by organized group/, as well as the court of Kentron and Nork-Marash districts of Yerevan issued a judgment dated 11.08.2010 /case no. ԵԿԴ/0173/01/10/ by which **Levon Khachatryan** was found guilty of crime provided by point 1, part 3 of the article 179 of the Penal Code of RA /embezzlement/, and sentenced to 6 years imprisonment.

However, all other participants of the criminal group went away unpunished and unidentified, the damages inflicted to George Iosifyan and "Sar Capital" LLC remained uncompensated.

1. **Significant violations and protectionism of Iosifyan's case by judiciary bodies**

Criminal case materials prove that the embezzlement of the investment made by Iosifyan was a crime based on the earlier achieved agreements within "Sar Capital" LL company's debtors and the persons with some leverage on the judiciary and investigation bodies. In that previously prepared and committed crime each had its role.

Thus:

1. The criminal role of L. Khachatryan was being appointed illegally as "Sar Capital" LLC director, and pursuant those agreements he would assume sole responsibility for the committed crime, as he would be guaranteed a mild punishment, which proves that, there was a criminal group with influential persons.
2. The fact that the state registration of L. Khachatryan's appointment as "Sar Capital" LLC's director in the Agency of State Register of Legal Entities was illegal, approved by administrative court decision no. ԿԴ/3127/05/13 dated 18.05.2015. The illegality is obvious so much that the state authorized body made no appeal against the court decision.

It turns out that any foreign investment in Republic of Armenia has the risk because, as in "Sar Capital" LLC case, the company's CEO can be changed by the illegal activities of the state body and that director can embezzle company's assets caused by foreign investment only through one or several transactions.

1. **The fact of protectionism**

    1. According to the reached agreements within the debtor-creditors and Mher Avetisyan, the creditors received the receipts confirming the payments and the orders of removal barrage from the pledged property in exchange for discount fees for their credit obligations to "Sar Capital" LLC's.

The debtor-creditors are businessmen and they would not go to such a deal, if there would not have a holder of a guarantee of a real impact on the judicial-investigatory bodies, as they were well aware that in case of revealing the crime, it will be launched the criminal case by the fact of money laundering defined in the article 190 of the Criminal Code and in the result of which they will subjected to the criminal liability as well as in addition to this the amount of paid money by them will be confiscated.

In this case, Georgy Iosifyan repeatedly mentioned godfather of the Ararat Diocese, Navasard Kchoyan as the influential person who protected Mher Avetisyan. Kchoyan received the gift "Bentley" vehicle from his godson Mher Avetisyan and because of that Kchoyan obtained the nickname "Bentley Samo" (His secular name is Samvel), as well as Kchoyan's close friend **Prime Minister Tigran Sargsyan**. That is the second persons of spiritual and secular power of Armenia who were appointed to their positions by the first persons respectively.

By the way, Archbishop Kchoyan and Tigran Sargsyan who was the Prime Minister of RA in 2008-2014 (currently, the Chairman of Eurasian Economic Commission Board) are also well known by the other case related with another godson of Kchoyan /Ashot Sukiasyan/. On 20.08.2009 it had

been launched the fraud case and as a result of thereof fraud, Paylak Hayrapetyan causing property damage of more than 30,000,000 US dollars. This "offshore case" is very famous and has been covered in the news sites during some years. This criminal case number ԵԷԴ/0054/01/15 is still being heard in the court yet.

In the 2 cases with the participation of 2 godsons of Archbishop Navasard Kchoyan which have been launched in 2009 /the first is the criminal case ԵԿԴ/0173/01/10 and the second case is ԵԷԴ/0054/01/15 which was investigated after 7 years/ the defender of Levon Khachatryan and Ashot Sukiasyan is the same person Yu.Khachatryan.

1. The senior investigator for special cases of Investigation Department of National Security Service of RA, Lieutenant Colonel Artur Aghajanian who investigated this criminal case, on 20.12.2010, i.e. a few months after the completion of the investigation of criminal case No. 61203509, was awarded the Military Merit Medal by the Presidential Decree (http://nt.am/am/news/20605/) which is granted for initiative, brave actions conductive to facilitation of the military tasks' fulfillment, for ensuring the combat readiness of troops, for their service in defending the country's borders.
2. The Judge Karine Ghazaryan examined the criminal case no. ԵԿԴ/0173/01/10 and rendered the judgment on 11.08.2010, and in 2011, a year after the first instance thereof judgment, she appointed as Armenia's Court of Appeal judge by Presidential Decree (http://www.president.am/hy/decrees/item/633/).

In the context of this case, it is not difficult to guess the incentives of reward of the investigators and judge made by the President.

1. **Violations of investigation bodies**

    1. The investigation body (National Security Service) didn't implement an investigation. It was just created an illusion for Georgy Iosifyan on the case investigation and the real facts of the case investigation fulfilled in secret, having the aim to not reveal the real facts of the case and to send to the court only the part of criminal case on Levon Khachatryan, while not carried out the investigation on others.

Moreover, the investigation department of National Security Service of RA subsequently failed to comply with mandatory the instructions of the General Prosecutor. This fact proves by the writ given to G. Iosifyan, where the Head of Investigation Department openly refused from the further investigation of the case.

1. As for the criminal inaction of the investigation department of National Security Service of RA, it is sufficient to mention that the case investigation wasn't done to reveal the fact that over 9.5

million US dollars /2.940.815.961 two billion nine hundred and forty nine million eight hundred fifteen thousand one hundred sixty AMD / actually paid or not by the borrowers, whether the receipts submitted by them are real or false.

As a result of the real investigation in order to check whether the referred circumstances, surely it should be clear that the borrowers with 5th level of risk loan packages which did not have resources in long-term for repay liabilities of credit, couldn't repay their respective credit obligations in the short period of time because they were in a difficult financial situation. By revealing thereof circumstance it would be clear that the embezzlement of the amount approved by investigation, later judicially by L. Khachatryan has not happened for the simple reason, that such amount does not submitted to L. Khachatryan, and therefore it was not such an amount of money in reality.

Mher Avetisyan, who is the organizer of abovementioned crime, not being a company's official employer, and according to his testimony, he was providing advisory assistance to the borrowers in favor of "Sar Capital" LLC and under the guise of this assistance he actually was acting as the director of company in the relationship with the borrowers. Later he got agreements with creditors in order to make partial payments of their credit obligation, reciprocally Khachatryan would give them signed and stamped cash receipt confirming the payment and the order of removal barrage from the pledged property.

In the terms of criminal law, the existence of these components of crime make understandable, why the investigation was conducted in the investigation department of the National Security Service of RA. Pursuant to the Article 190 of the Criminal Code, the criminal acts of money laundering cases are under the jurisdiction of the National Security Service.

The grounds of mentioned facts are presented in Appendix 2.

1. **The violations by the Court**

    1. According to the criminal case materials, on 28 June, 2010 the criminal case No. 61203509 with indictment on Levon Khachatryan sent to the court of general jurisdiction of Kentron and Nork-Marash administrative districts.

However, the Court received the case on 02.07.2010. This fact proves that during 4 days the case was not under the possession of investigation body or in the court, so where was the criminal case during that 4 days and which actions were taken.

1. As for the case proceeding in the court of general jurisdiction of Kentron and Nork-Marash administrative districts, it's important to mention that the judge Karine Ghazaryan on 06.07.2010 took this case in the mysterious circumstances. In particular, according to the information on

the official website of the judiciary:

3.5.2.1. While the criminal case No. 61203509 with indictment on Levon Khachatryan sent to the court of general jurisdiction of Kentron and Nork-Marash administrative districts, on 02.07.2010 it assigned to the Court of General Jurisdiction of Shengavit district, Judge Karine Ghazaryan who was serving at that time as a judge of another court, 06.07.2010. Karine Ghazaryan considered that case and gave the case number ԵԿԴ/0173/01/10.

This is the first mystery that the case was proceedings by the judge of the Court who was not the judge there, i.e. this fact states about absence of the legal court.

3.5.2.2. The second mystery is that until now according to the information of official website of the judiciary, the accusation of the criminal case number 61203509 has the following content:

«Levon Khachatryan charged in the following:

Being the authorized person "Septrade limited" company in RA, came to the criminal agreement with the unidentified persons, while implementing the company's management, demanded and received from 18 creditors /individuals and legal entities/ overall 2.940.815.961.10 AMD and embezzled it».

It's obvious from this accusation that;

- it is not about Levon Khachatryan, because and the authorized person of "Septrade Limited" LLC was Marat Yeltaev, besides,
- there is an impression that the embezzlement carried out from "Septrade limited" rather than from "Sar Capital" LLC,
- there are unidentified persons who committed this crime having the criminal agreement.

But there is no investigation is being implemented and Levon Khachatryan's ridiculous evidence taken as a confession, and the court ascertained that he had committed the crime alone.

3.5.2.3. The third mystery is that in the charge of the criminal case number 61203509 for the embezzlement from the company defined by the part 1, article 179 of the Criminal Code (the embezzlement of the entrusted property in the significant amount of money /5000-500.000) neither by the 3rd part of the same article /embezzlement of the large amount of money in excess of 300.000/.

It is ridiculous at the first sight, because 2.940.815.961.10 AMD itself proves that there is the case prescribed in the part 3, article 179 of the the Criminal Code. However, abovementioned facts evidences about other things.

In particular, in Armenia with all criminal cases, especially when it consider to the case of embezzlement and the "disappearance" of such amount, in the judicial-legal system there is an

unwritten, but steadily clearly acting accordance on the rules of "cooperation". According to this rules still in the preliminary stage of the case, before the trial starting, it have been determined in advance the sentence, based on the agreements reached with the accused.

In other words, in such cases a trial is a kind of legal show and in the purpose of unobstructed implementation of that show its necessary the choice of respective judge because not the all judges will be cooperate and/or make such order. In this case, the judge has made unprecedented judgment in the period of one month which is a record for Armenia's judicial system.

1. According to the 11.08.2010 judgment /judge K. Ghazaryan/, Levon Khachatryan convicted guilty by part 3.1of Article 179, part 1 of Article 205 of Criminal code of RA and by part 3.1 sentence to 6 years imprisonment, without confiscation of property. According to part 1 of Article 205 fine 800.000AMD. According to part 4, Article 66 of Criminal Code of RA, at the result of cumulating the punishments, the final punishment is 6 year imprisonment in appropriate criminal executive institution /Ministry of justice of the RA/, without confiscation of property and 800000 AMD fine.

That is the investigation has not reveal any real substantial circumstances of the case, including when and how the embezzled money disappeared.

The court, presided by Judge Karine Ghazaryan, based the 11.08.2010 judgment of criminal case no. ԵԿԴ/0173/01/10 on the ridiculous evidence of Levon Khachatryan, according which he didn't embezzle §Sar Capital¦ LLC's amount of money, **§he assures that the money was lost on his way from the office to house. Since there is no any concrete evidence of him losing the money, he is unable to prove it¦.** The court this evidence of Levon Khachatryan considered as a confession, and as the mitigating circumstance of Levon Khachatryan's penalty. The court records the fact that «as he confessed he assists in the investigation and the revealing of the committed crime¦ and on this basis the court determined the lenient sentence.

1. Claimant prosecutor Amirzadyan /representative of state /in the appeal mentioned the following: §He found that 11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts doesn't grounded concerning the punishments of L. Khachatryan, there was a court mistake. In the judgment there were violation of material rights, the court did not estimate the nature and social danger of the crime, they weren't estimated in combination, as a result the court gave Khachatryan obviously melt punishment.

In regard of punishment, the court's judgment subject to change. Although L. Khachatryan pleaded guilty, but he did not express regret. According to the accusation and judgment Khachatryan committed the crime with others not ascertained yet, but he refused this fact, he do not admit it not while investigation, not while trial. Khachatryan announced that he committed the crime personally, without help and participation of others. Therefore, we could not speak about regret expression.

Besides, Khachatryaan regretted about the lost money, instead of theft. While investigative body and then court considered grounded the theft of somebody's property.

In such conditions the court e Khachatryan punishment such as fine according to Article 203 part 1 of Criminal Code of RA, while Khachatryan gave to state damage in amount of 12.022.516 AMD. Besides, Khachatryan condemned according Article 179 part 3.1 of Criminal Code of RA for theft of 2.940.815.961 AMD and §Nissan Pathfinder¦ vehicle and he did not repay noting. So speaking about the aims of punishment as the principles of punishment, the court should aim to restore the justice. However, the less strict punishment the court couldn't ensure the aims of punishment, so the court must sentenced the more strict punishment, but in this case the punishment is obviously mild.

Nature of the committed crime gives apprehension about intensions of Khachatryan and his criminological type. The personal characteristic of criminal includes all circumstances such as his treatment to committed crimes, so the court had to take into consideration and exanimate the criminal not as abstract person, who sentenced to criminal punishment, but as a person with personal characters who acted in particular circumstances with particular aims.

In case of considering the facts mentioned above, the court should sentenced Khachatryan to the justify punishment, in correspondence with aims of criminal law punishment.

Taking into consideration all mentioned above he demanded to change 11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts. He demanded to change the punishment according to Article 179 part 3.1 and Article 205 part 1 of Criminal Code of RA sentenced in the judgment. He demanded to sentence L. Khachatryan to imprisonment in term of 8 years and confiscation of property in amount of 2.940.815.961 AMD according to Article 179 part 3.1of Criminal Code of RA and to imprisonment in term of 2 years according to Article 205 part 1 of Criminal Code of RA. Cumulating the punishment according to Article 66 part 4 of Criminal Code of RA sentence to final punishment: imprisonment in term of 10 years and confiscation of the property in amount of 2.940.815.961 AMD.

However, the Criminal Court of Appeal of RA revealed obvious preconceived treatment, ignored and did not examine even the appeal of prosecutor who defended the interests of state. The Criminal Court of Appeal of RA did not change 11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts.

The Court of Cassation rejected the demand with the same purposes.

1. **Justifications of the current Legislation, that:**

a. Iosifyan is a foreign investor in Armenia,
b. In the issue of protection of rights of foreign investor, Armenia undertook positive responsibilities, in the case of improper implementation of those, the foreign investor shall have the right to file a claim to reimburse inflicted material and moral damages.

1. RA Law on Foreign Investments (hereinafter “the Law”) states grounds of implementation, legitimacy economy and organization of foreign investments in the territory of RA, and is aimed to secure the protection of rights, legal interests and property of foreign investors, enrolment of foreign material and financial means. Particularly:

It is stated by the Law article 2:

“The relations concerning foreign investments in RA are regulated by the current law, as well as legislative and other acts of RA and international contracts. If other rules are stated by international contracts signed by Republic of Armenia, than it is contained by the current code, then in corresponding cases, the rules of international contracts are implemented”.

By the meaning of the Law article 1:

Any citizen of foreign state that implements an investment in RA, is considered “foreign investor”.

“Foreign investment” – any form of property, including financial means …, that is directly invested in spheres of entrepreneurship or other activity implemented in the territory of RA, with the aim to achieve profit (income) or other profitable result.

Pursuant to the Law article 18:

Privileges stated by the Law are spread upon the companies with foreign investments, in which those investments are at least 30% at the moment of being founded.

Thus, by the combination of the Law and the facts of the case, Georgy Iosifyan is a foreign investor in Armenia, by the justification, that in order to get profit in the territory of the Republic of Armenia he invested 12.000.000 USD for implementing entrepreneurship activity whereby "Sar Capital" LLC.

And Georgy Iosifyan is being considered a victim and "Sar Capital" LLC's representative for the criminal case no. 61203509 by the decision of criminal investigator A. Aghajanyan initiated on 11.06.2010.

1. By the adoption of RA Law on foreign investments, RA government highlighted the supporting role of foreign investments in the sphere of economic growth, recognized the importance of foreign investments and the protection of the investor, as well as secured the legal regulation of encouragement of foreign investments, stating several guarantees.

Armenia joined a number of international conventions, signed mutual agreements with thirty-seven countries (about encouragement and mutual protection of investments).

1. On September 23, 1992, in Washington, “an agreement about mutual encouragement and

protection of investments" was signed between the Republic of Armenia and the United States of America with is in force up to date. According to that international agreement, which reflects the legal ground confirmed in the sphere of protection of investments between two countries, a highly supportive legal regime is state for investors of Armenia and USA, which means, that Armenia and USA must implement not less supportive legal regimes toward the citizens of each other, than it is implemented toward their own citizens or citizens of third countries.

The international agreement concerning the confiscation of investments and the reimbursement of confiscation states principles of implementation of international right. It secures the right to present investment disputes between the government from one side ant the citizen or the company from the other side to an international court (without the necessity of early applying to local courts), and the investor of each party is granted the freedom to apply to an international court of own choice in case of sharing a dispute with the government.

The agreement prohibits partial treatment toward the investments of the citizens of the other party by the USA and RA governments, and demands honest and impartial treatment toward the investments on the ground of international right.

And by the meaning of the agreement, "investment" means an investment of any kind in the territory of one of the Parties that is owned by the citizens of the other party, or companies, or is under their direct or indirect monitoring, such as shares and investment contracts and includes material and non-material property in it.

By the meaning of the agreement, "a citizen of a party" means a physical person that is a citizen of a Party, according to the current laws of the Party.

"A company of a Party" means any corporation that was founded on the laws and regulations of any of the Parties.

By article 2 point 2 sub-point "a" of the agreement, the parties were obligated to: "The investments shall be provided by fair and equal regulative order and they will be entirely protected and safe…"

Pursuant to the agreement article 6 point 1 sub-point "c", point 2, point 3 provision a) I):

a dispute concerning the investment is a dispute between one Party and the citizen or the company of the other Party, which arises from or concerns the susceptive violation of any right referred or confirmed with the association of any investment of the agreement. And, if the dispute cannot be solved friendly and six months have passed since the moment of the occurrence of the dispute, then interested citizen or the company can present the dispute, for its solution, to the international center of dispute settlement (Center) concerning investments, confirmed by the convention ("ICSID" convention) implemented in Washington on March 18, 1965, about dispute settlement, with the condition, that that Party is a party of that convention.

In the current case, Armenia joined the "ICSID" convention (Armenia joined on October 16, 1993), as well as the convention of UN "concerning recognition of foreign arbitration verdicts" signed on June 10, 1958 (Armenia joined March 29, 1998).

1. By the Agreement on Trade and Investment signed between the US and Armenian governments on 07.05.2015 and entered into the force on 13.11.2015 was established the Intergovernmental Council in order to promote the investment and the trade between the two countries as well as to reveal the obstacles, to discuss and to solve the above problems. The authorized body in Armenia is the Ministry of economic development and investment.

Still in March 2016 Georgy Iosifyan appealed to the Prime Minister. Iosifyan has received an invitation to the opening of negotiations on his case from the authorized body, then it has been implemented the discussions during 5 months, it were submitted the required documents, after which the Prime Minister assigned by the committee set up by the Ministry of Economic Development and Investment and the Ministry of Justice was discussing the issue, but then, during months they don't submit any proposal, the issue is frozen, which proves that Armenia does not properly fulfill its positive obligations towards foreign investors.

1. RA Constitutional Court by its decision ՍԴՈ-983 dated July 12, 201, amongst other issues announced its position for the issue:

"**whether in the issue of property protection, Armenia has positive obligations, and RA legislation states an effective regulative order appropriate for a guarantee of the opportunity to recover the damage inflicted by the crime to the victims**" and declared:

Pursuant to RA Constitution article 3, the state secures the protection of general rights and freedoms of a person and a citizen in accordance with the principles and norms of international right.

1. The European Court of Human Rights clarifying the circle of the obligations of the state in the sphere of protection of ownership right guaranteed by European Convention declaration 1 article 1, about the protection of rights and fundamental freedoms of a person, developed the idea of positive obligations of the state. The later, particularly is expressed that the real and effective implementation of ownership right not only depends on the obligation of state of not interfering, but also demands certain positive activities of protection, when there is a direct connection between effectively implementing property rights of a person and other activities, which a person can legitimately expect from the authorities **(point 134 of the verdict of Grand Chamber, dated November 30, 2004, for the case Oneryildiz v. Turkey)**.

According to the European court, the positive responsibility of the state in the sphere of protection of ownership right, can, amongst others, include the responsibility of providing reimbursement.

Observing the issue of protection of property rights of persons that were victims of crimes from the point of view of the context of positive responsibilities of the state, in the sphere of the protection of ownership right, the Constitutional Court finds that the principle of property invulnerability not only means that the owner, as the bearer of subjective rights is entitled to demand that others do not violate his ownership right and **it also supposes the responsibility of the state from the illegal violation of the protection of the person's ownership**.

1. Many international legal documents, particularly **the Convention of Battle against transnational organized crime** (entered into force for the Republic of Armenia on September 29, 2003) adopted in the frames of UN, the convention of Warsaw about laundering, investigation, confiscation and embargo, received in a criminal way (entered into legal force for the Republic of Armenia on October 1, 2008), about Battle against financing terrorism, **provision are stated, according to which the property received in a criminal way in the result of the implementation of the crimes stated those is subject to mandatory confiscation.**

Countries that are participant to these international documents, including the Republic of Armenia, undertake the responsibility of initiating such legislative or other activities that will grant an opportunity to secure the confiscation of the property received from the crimes stated by those conventions.

1. At the same time, the mentioned international legal documents form certain legal guarantees to the protection of legal rights of the victims of corresponding crimes. Particularly, pursuant to article 14 of the convention Against Transnational Organized Crime of UN, as well as article 25 of laundering, investigation, confiscation and embargo, received in a criminal way of the convention of Warsaw, participant countries, in a priority order investigate the issue of returning the confiscated property received from the crime to the participant state on the account, that it can provide reimbursement to the victims of the crime, or return such property received from the crimes to its legal owners.

Article 25 of epigram "Help and protection of victims" of UN convention against transnational organized crime, obligates participant countries to state necessary procedures for reimbursing the damage to the victims of the crime and to secure the availability of reimbursement sated by the convention.

The above mentioned analysis witnesses that **RA Criminal Procedure legislation guarantees an opportunity for the victims of recovering the damage inflicted by the crime in the process of confiscation of the property received through criminal way**, and according to the above mentioned legal regulation, secures recovery of the inflicted damage to the victim in a primary order on the account of the confiscated property, including in court order, which directly outbursts from the norms stated in RA Constitution articles 3, 18, 19.

Whereas, for Iosifyan's case, Armenia, represented by law enforcement and court bodies, not only did not implement effective means in the direction of protection of legal rights of Iosifyan and his Company, but by their actions (active activities and inaction) supported and created conditions (the illegal state registration of Levon Khachatryan as director) for the embezzlement of the Companies property and later, for covering up the committed crime.

1. RA Law on Foreign Investments article 9, in such circumstance **grants the investor** with the right to file a claim of material and moral damage reimbursement against Armenia: "Foreign **investors have** the **right of reimbursement** through court order of those material and moral damages, including missed profit, which were inflicted in the result of actions of RA state bodies or their officials contradicting with RA legislation, as well as **in the result of improper implementation of responsibilities** stated by RA legislation by mentioned bodies or their officials toward foreign investor or foreign investment company.

All damages bore by foreign investors, which were inflicted in the result of actions mentioned in the current code articles 8 and 9, are subject to immediate reimbursement by market price or price decided evaluation of independent auditors by currency with which the investment was made, by mutual agreement of the parties – another currency.

For the period from the arousal of the reimbursement right to the moment of its implementation, interests are calculated toward the reimbursement amount, in the amount of the current interests of period deposits in loan market of the Republic of Armenia.

1. Grounded on the above mentioned factual and legal justifications, **for the reimbursement of moral and material damages inflicted to Iosifyan, there is a claim to initiate an arbitration proceeding against the Republic of Armenia. The amount and the calculations of the damages will be additionally presented.**

RA Law on "Foreign Investments", Decision of RA Constitutional Court ՍԴՈ-983 dated July 12, 2011, Criminal and Criminal Procedure Codes Judgment of Criminal case no. ԵԿԴ 0173//01/10,

Agreement "On mutual encouragement and protection of foreign investments" signed between Republic of Armenia and United States of America, in Washington, dated 23.09.1992, "ICSID" convention (Armenia joined on 16.10.1993),

3 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10,**

11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10,**

18.05.2015 Administrative court case no. **ՎԴ/3127//05/13,**

See the analyzes described in the 1.2 point of the current application

The evidence of the case witness Armen Sargsyan, 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10,**

The evidences of the creditors 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10**

See 30.12.2008 hand-acceptance act

See the evidence of case witness Armen Sargsyan in the 11.08.2010 judgment of criminal case no. **ԵԿԴ 0173/01/10**

See 18.05.2015 Administrative court case no. **ՎԴ/3127//05/13**

See 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10**

See 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173/01/10**

See 18.05.2015 Administrative court case no. **ՎԴ/3127/05/13**

See 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173/01/10**

See 11.08.2010 judgment of Criminal case no. ԵԿԴ 0173/01/10, 09.11.2011 decision of the Criminal court of appeal, pursuant which on 11.06.2010 by the decision of the investigative body from the criminal case No. 61203509 was separated the embezzlement and money laundering case of the large amount of money by Levon Khachatryan and yet unidentified persons with the preliminary agreement /1 point of 3 part of article 179 and 1 point of 3 part of article 190/. The separated case adopted and continued to conduct preliminary proceedings.

See 08.11.2011 and 16.11.2011 writ No. 7-46d -11 of the General Prosecutor's Office

See 19.11.2011 writ No. 8/4623 of the head of the investigation department of National Security Service of RA

See 11.08.2010 judgment of Criminal case no. ԵԿԴ 0173/01/10 and 09.11.2011 decision of the Criminal court of appeal

See 11.08.2010 judgment of Criminal case no. ԵԿԴ 0173/01/10

See http://www.court.am/?l=lo&mode=common_court&id=95 (on 27 February 27, 2009 by the President decree appointed as the judge of the Court of First Instance of Shengavit administrative district, after that, on October 17, 2011 appointed as a judge of the Court of Appeal by the President decree:)

See http://www.datalex.am/?app=AppCaseSearch&page=default&tab=criminal

See http://www.datalex.am/?app=AppCaseSearch&page=default&tab=criminal

See http://www.datalex.am/?app=AppCaseSearch&page=default&tab=criminal

Translated from Armenian into English

Case No: EKD 0173/01/10

Judgment

Republic of Armenia

Yerevan

Date: 11 August 2010

THE COURT OF GENERAL JURISDICTION OF KENTRON AND NORK-MARASH ADMINISTRATIVE DISTRICTS

Presiding judge: K. GHAZARYAN

Secretary: L. Davoyan

Participants:

Claimant: A. Amirzadyan

Defendant: U. Khachatryan

Representative of the victim: G. Iosifyan

A. Iosifyan

In a public court hearing reviewed the criminal based on the lawsuit lodged by

Levon Khachatryan (father's name: Khachik), born on 21.06.1978, in Echmiadzin town, Armenian, citizenship of RA, physically healthy, married,

Worked as Director in ''Krist-Khach'' LLC, ''SAR Capital'' LLC,

No previous conviction,

Registered at 22apt. Vazgen the First str. 41, Echmiadzin,

Lived in: 6 apt. Vazgen First str. 10, Echmiadzin.

Arrested since 26.07.2009

Accused under Article 179, Paragraph 1, Part 3 and Article 205, Part 1 of the Criminal Code of RA.

The head of department of National Security Agency of the General Prosecutor Office of RA instituted a criminal proceeding on July 15, 2008.

Defendant Levon Khachatryan was charged with the following:

On May 8, 2009, by Order of Marat Yeltaev/former security advisor of general director of "BTA Bank" CJSC, attorney of ''Septrade Limited'' company in RA/ Khachatryan was appointed as a director of ''SAR Capital'' LLC/registered in RA belonging to ''Septrade Limited'' company.

With a view to receiving and appropriate cash from the borrowers against the removal from pledge the property under pledge and stealing the credit assets of "Sar-Capital" LLC which acquired the right of debtors of the credit liabilities in the sum of 4.912.242.345.91 AMD, equivalent to about 15 mln USD under the cession contracts which is subject to redemption, as secured by the pledged at the cost of 29 mln USD, and granted to 29 borrowers during 2006-2008 by "BTA Bank" CJSC in the sum of 3.698.973.049,66 AMD, equivalent to 11.700.000 USD provided by "Septrade Limited" LLC, having come to the criminal agreement with yet unknown people, during the period between May and July,

2009 being a director of the company he demanded and received over 2.940.815.961,10AMD from 18 borrowers, including the money which was deposited by borrowers with “SAR Capital” LLC's bank account before he was appointed to the post of Director and 77.000.000 AMD was provided to David Pirinyan and 18.500.000 AMD to “50*50” LLC Director Arsen Nurijanyan and with loan and auto sales contracts as well as “Nissan Pathfinder” brand car cost of 12.782.826 AMD, which was transferred to him by the former director, then he provided borrowers with the receipt of the payment order of cash and removed barrages from their pledged property. All in all he together with the criminals robbed both the money and the car. In addition, from 16 December till the end of April 2016, he was the director of ''Krist Khach'' LLC, which is registered in Shahumyan village of region Armavir and was engaged in retail trade of telephone cards obtained from ''AMKS''LLC. He maliciously evaded paying taxes in the amount f 12.022.516 AMD within the period of time mentioned above.

On July 02, 2010, the criminal case with the indictment was sent to the court.

In the accusation brought against him Khachatryan considered himself completely guilty and confessed that the listed crimes had been made by him and admitted he had not reached any preliminary agreement with anyone and that nobody supported him. On May, 2009, Khachatryan was registered as director of ''SAR Capital'' LLC. He personally demanded and personally received in the credit amounts from all the creditors of the debtor-company under the cession contract in the Company’s office, before that he had sent notifications to LLC creditors’ addresses in advance. For the amount of money he received in cash Khachatryan gave the creditors written or printed the receipt of the payment order of cash and removed barrages from their pledged property. He was not able to spend the received money. He assures that the money was lost on his way from the office to house. Since there is no any concrete evidence of him losing the money, he is unable to prove it. Khachatryan was the director of ''Khrist- Khach'' LLC, that was founded in December, 2007. During the initial period he did not engage himself in any activity, in 2008 he employed his friend Arsen Khachatryan as the director of the company. Arsen Khachatryan had experience and worked in a shop at Tigran Mets Street.

On December 16, 2008 Khachatryan became the director of the company; he engaged himself in the retail trade of telephone cards and phones. The cards he obtained from “AMKS” LLC situated in Fuchik street, Yerevan, which is the dealer of "Gh-TELECOM" Closed Joint-Stock Company (CJSC), for each card he paid 948 AMD and sold for 952 AMD. When selling the cards, he ignored the value

added tax which approximately amounted to 11 AMD for each card that he ought to pay to the State budget. He simply misunderstood and that is why he failed to fulfill his tax obligations. A calculation of the unfulfilled tax liabilities was made in his presence in Echmiadzin territorial tax inspectorate, which he admitted and signed it, but again didn't fulfill his tax obligations because he hadn't had enough money to pay. He had lost money received from the creditors of "SAR Capital" LLC, hence he did not manage to full his tax obligations at their expense.

The Court, having examined relevance, admissibility and sufficiency of the evidences obtained during the criminal proceeding, and as a result of analyses of evidences, with inner conviction, came to the conclusion that the accused Levon Khachatryan's accusations are justified. Besides his confessionary testimonies, the following evidence obtained with regard to the criminal case are also confirmed.

According to the testimonies of the case victim representative, G. Iosifyan, in 2008 in the "BTA Bank" CJSC the total amount of "non-performing" credits reached nearly 16 million US dollars, and the Bank's authorized capital was US $ 20 million, and in such conditions the Bank was not able to guarantee the minimum authorized capital established by the Central Bank which is 5

billion AMD and in case of absence of "non-performing" credits <Cleaning> from the bank's balance Central Bank could revoke the license of the bank. Iosifyan was a shareholder of 'Septrade Limited'' company. Investment project helped ''BTA bank Armenia'' to overcome this situation, and also it was financially beneficial deal for Iosifyan as according to agreement Iosifyan bought 16 million US dollars assets for an investment of 12 million dollars by cession contract, pledge real price was estimated 29 million US dollars. This investment project was financially beneficial deal. But Iosifyan together with the shareholders of ''Septrade Limited'' company did not have information about criminal cooperation of administration of "SAR Capital" and other individuals who are in criminal agreement with him.

On December, 2008 12 million US dollars transaction from "Septrade Limited Investment Company" was transferred to "SAR Capital" LLC's account, later the amount of money was transferred to ''BTA Bank'' CJSC. "SAR Capital" LLC took responsibility for paying off the above credits in the amount of nearly 16 million dollars. The credits were secured by real pledges at the cost of 29 mln USD. On January 12, 2008 "SAR Capital" LLC had 16 million US dollars assets.

'Septrade Limited'' LLC delegated Marat Yeltaev (citizen of Kazakhstan, who was the advisor of president of Council BTA Bank) authorized to establish ''Sar Capital'' LLC and appoint Mher Galstyan as a director of the company who was a driver in BTA Bank. Afterwards, Armen Sargsyan (the head of corporate credit department of BTA Bank) was appointed as director of the company until 08.05.2008. From the beginning of the proceedings, Mher Avetisyan /the ex-client and creditor of BTA bank/ was in contact with Marat Yeltaev and Nur Barbergenov /citizen of Kazakhstan/, /president of banks council/. This cooperation was based on criminal intention of personal enrichment, theft of "SAR Capital" LLC assets and illegal removal of pledged property from barrage. However, when Armen Sargsyan /ex-director of "SAR Capital" LLC/ understood that the company completely was under the control of Mher Avetisyan who started to receive money from creditors and began money laundering. Sargsyan did not inform about that to Barbergenov and refused to take part in the activities mentioned above. Barbergenov appointed Levon Khachatryan as new a director. Khachatryan was in cooperation with Mher Avetisyan and all the functions of company were

carried out by him. In the initial period of the time, all documents and the office of "SAR Capital" were situated in BTA bank, but in order to concealed the movement of money and all real proceedings, the company opened an account in <Ardshininvestbank> Bank, and the Company office was also moved the address of the office, the address of which he doesn't remember. From May 8 till the beginning of July the criminal group led by the Mher Avetisyan who exercise management of "Sar-Capital" LLC, removed the property at the total cost of 25 mln USD pledged against the movable and immovable properly thanks to "compromises" of the creditors. But he legalized it in the sum of 60mln AMDbased on the bank accounts of the Company.

They credited the amounts received from the borrowers to the account of "Sar- Capital" company, and then with view to stealing and legalizing it they transferred them to the accounts of different legal and natural entities. Mher Avetisyan personally met with the debtors and suggested them returning the pledges in cash and at considerable discounts. As a consequence, "Sar Capital" LLC sustained damage in the amount of 9 mln USD. By the decision of the general meetings of shareholders of "Septrade Limited" Investment Company dated June 17, 2009, the ownership right of "Sar Capital" LLC in view of 16 mln USD assets was assigned to him by virtue of the general power of attorney. On July 2009 he arrived in Yerevan for the purpose of conducting an audit in "Sar Capital" LLC, but he found out that the Company's office was not occupied, the director Levon Khachatryan hid himself together with all the documents and seal, but Mher Avetisyan refused to return the sums. Afterwards, he reported to RA General Prosecutor's office about the crime and informed that the sum of 2.940.815.961.10 AMD and "Nissan Pathfinder" in the sum of 12.782.826 AMD had been stolen.

According got the testimonies of the victim's representative to the case Aram Iosifyan, on June 2008 he was appointed the deputy executive director of "BTA Bank Armenia" CJSC, and an executive director on August 2008. Nur Bakbergenov was appointed a chairman of the management board. A deputy executive director and his functional responsibilities included organization and control of the functions of law, risks, credit, general and economic sections, as well as work with problematic credits. As a result he met many problematic creditors, conducted explanatory activities directed at fulfillment of liabilities as stipulated by the credit contracts, as a result of which from July 14, 2009 till September 2008 credits in the amount of about 2.0 mln USD were paid off. But since the number and sum of unreliability credits caused huge problems as to insufficiency of the capital of the bank, which may lead to the violation of the standards at the rate of 5 billion of the minimal statutory capital stipulated for the banks by RA central Bank, the board of directors of "BTA Bank" company took a decision as to cede the right of credit liabilities in the amount of about 15.0 mln USD under the cession contracts based on the unreliability credits in the balance sheet of "BTA Bank Armenia" LLC to another company. Afterwards, as instructed by the executive director of "BTA Bank" Nur Bakbergenov, the latter's driver Mher Galstyan founded "Sar Capital" LLC so that the given company would in the future acquire the package of unreliable credits of the bank. In the late November 2008, a power of attorney was issued by "Septrade Limited" Investment Company registered in the

Seychelles Islands to Marat Yeltaev, a Security Advisor of the executive director, to purchase 100% share of "Sar Capital" LLC, after which Armen Sargsyan, the credit specialist of the bank was appointed a director. In the late December 2008, under the cession contracts "BTA Bank" CJSC conceded the right of credit legalities in the amount of about 15.0 mln USD to "Sar Capital" LLC for which the bank was paid 12.0 mln USD, which was transferred to the account of "Sar Capital" COMPANY. Personally he did not have anything to do with these processes. It was supervised by the bank's executive director and Marat Yeltaev, under the decision of whom early in ay 2009 Levon Khachatryan was appointed a director. At that time his brother Georgi Iosifyan telephoned him and told that he was granted a general power of attorney by "Septrade Limited" company, per which was authorized to run "Sar Capital" LLC and utilize the latter's assets at its own discretion. He told his brother that everything was OK and that he could help to return the credits, since during that when fulfilling liabilities in the bank he contacted with the majority of debtor-creditors. At that time, there were no illegal actions in ''SAR Capital'' LLC except an incident, when he learnt from Artak Safaryan/ bank council member/ that ''SAR Capital'' LLC gave a loan of 32 million AMD. He didn't discuss it with anyone, but from May to early July of 2009 when his brother took over the company there were rumors that ''SAR Capital'' LLC was engaged in some illegal activities related to paying off the credits and removal of pledged property from barrages. A. Iosifyan together with his brother, visited ''SAR Capital'' LLC's office, where a girl said that she had no relation with that company and she knew only the directors, but didn't have their phone numbers. Then A. Iosifyan got in touch with Hovsep Mkrtchyan, and took phone numbers of Armen Sargsyan and Levon Khachatryan and called them. Levon Khachatryan promised to come to the office; however, he didn't come and after a while turned off his mobile phone. While Armen Sargsyan came to the office and declared that he had quit the post of director since May 8, because he felt that the company could be involved in illegal processes. He also declared that ex-creditor of bank Mher Avetisyan is connected with the above mentioned processes in ''SAR Capital'' LLC. Before that, it was also declared by Artak Safaryan. He called Mher Avetisyan and met him in ''Liber'' cafe in Circular park. He was with his friend G. Madoyan and brother G. Iosifyan. They presented power of attorney of G. Iosifyan, which was given by '' Septrade Limited'' company and offered to give them all documentation and stamp of the company, however M.Avetisyan refused to do these, declaring that the power of attorney means nothing. They had information that nearly all conceded credits were appropriated and the majority of the pledges were removed from the barrages. Seeing that it is useless to do anything else, Georgi Iosifyan decided to appeal about the crime to the General Prosecutor's Office of RA and reported about stolen 2.940.815.961 AMD and Nissan Pathfinder car, the price of 12.782.826 AMD.

According to the testimonies of the case witness Levon Zoryan / 'Payt Grig' LLC's director, from 2002-2009 he worked at '' Mets Aniv'' and ''Payt Grig'' LLC, whose shareholder was the same person Andranik Gevorgyan, who died on November 13, 2008. At first Zoryan worked as manager of '' Mets Aniv'' LLC, in 2015 he was appointed as a director of the company, he worked until October, 2007, then he had a 6 months brake connected with contradictions with shareholders. However, on April, 2008 he came back to the company and was appointed as the vice president. From July, 2008 to June 23, 2009 he worked as the director of ''Payt Grig'' LLC, then he dismissed from work.

The company, where L. Zoryan worked, received 2 credits from ''BTA Bank'' CJSC. In August and October, 2007, during the mentioned period of the time he was dismissed from work.

The company received the credits for construction of a 9 floor residential building on 1200 square meters land, situated in Verin Antarayin 134/1, Yerevan. However, they had some profitable offers of purchase the 1400 square matter land, from neighbor proprietors of lands. The total amount of credits /319.175.000 AMD/ was spent on buying the land mentioned above, and on land works.

As a result, there were some problems with the Central Bank, since the objective of use of the credits according to contract was the construction of residential building, and not the land purchase.

Servicing of the credits was made properly by company, payment of interest nearly 10.000 US dollars for every month was paid on time, until the end of 2008, the payment of interests was paid to '' BTA Bank" CJSC.

But in the beginning of 2009 they received information that the right of creditor of bank was conceded to '' SAR Capital" LLC and that from now on all the problems should be resolved with the head of the same company. They received that information from ''BTA Bank" CJSC.

At first the director of ''SAR Capital" LLC was Armen Sargsyan, who was the head of credit department of ''BTA Bank" CJSC. Zoryan communicated with Sargsyan, about the credits problems and technical issues.

Then, monthly payments were made to "SAR Capital" LLC.

But in May, Zoryan was informed that Armen Sargsyan had been dismissed from the post of director and Levon Khachatryan was appointed to his position.

He didn't have any communication with Khachatryan. However, monthly payments were made in the same amount: approximately 10.000 US dollars equivalent AMD.

In May, 2009, when Zoryan was on holiday he received a call from

Aram Kirakosyan/ accountant of his company/. Kirakosyan told him that the proprietors of company decided to pay off the credits, in order they should go to office of '' SAR Capital" LLC which was situated at Sayat-Nova avenue for payment and formulating of documents. In the office of 'SAR Capital" LLC they met Khachatryan. Kirakosyan repaid the balance of the credits approximately 300.000.000 AMD, as the payments of the last 5 months were considered as repayment of the principal amount of credit.

In the study of the director within the Office, after counting money, Khachatryan told that everything was all right, and then he formed the receipt of the payment order of cash and other documents including the writ of removal of pledged property from barrage to Real Estate Agency. All above mentioned documents Khachatryan gave to Aram Kirakosyan.

According to the testimonies of the case witness Samvel Grigoryan, /vice president of ''Mets Aniv" LLC/, he was the head of Vanadzor branch of "Mec Aniv" LLC during the period between 2004 and 2008. The founder and president of ''Mets Aniv" LLC and one of the founders and shareholders of ''Payt Grig" LLC was the son of his uncle. On November 13, 2008 Andranik Grigoryan died and Grigoryan's wife Paycar Aleksanyan became the president of the

company. Grigoryan moved to Yerevan and was appointed as vice president, in order to organize functional process of the company.

In August and October, 2007, Andranik Grigoryan together with Arshaluys Paytyan another shareholder of ‘’Payt Grig” LLC received 2 credits from ‘’BTA Bank” CJSC.

The company received the credits /500.000 US dollars and 500.000 US dollars equivalent AMD/ for construction a nine floor residential building on land, situated ar Verin Antarayin 134/1, Yerevan. In order to receive the credits they gave as a pledge the above mentioned lands, as well as the area of ‘’Arshand” LLC’s petrol station at David Bek Street.

However, neighbor proprietors of the land mentioned above made a profitable offer. They offered to buy nearly 1400 square meters land with an agreeable price. The total amount of credits 319.175.000 AMD was spent on buying the land mentioned above, planning and land works. As a result, there were some problems with the Central Bank, since the objective of use of the credits according to contracts was the construction of residential building, and not the land purchase. So the Central Bank sent a respective statement to ‘’BTA Bank” CJSC.

Despite this circumstance, ‘’Payt Grig‘’ LLC fulfilled its obligations every month, due to the operation and profit of ‘’Mets Aniv” LLC.

In January, 2009 ‘’Payt Grig” LLC received a formal letter with signature of the executive director of’ ‘’BTA Bank” CJSC, with which they informed that the right of creditor of bank was conceded to “Sar Capital” LLC and that from now on all problems should be resolved with the head of the same company.

Two directors of the company Armen Sargsyan, then Levon Khachatryan/early in May/ visited ‘’Mets Aniv” LLC and demanded to pay off the credits completely, otherwise they would appeal to the court and take the lands by auction. Until June, 2009 they properly fulfilled all the obligations, and they didn’t breach the payment schedule even one day.

As ‘’Sar Capital” LLC demanded to pay off the credits completely, they got money 336.500.120 AMD and gave it to Aram Kirakosyan /accountant of the company/ and Levon Zoryan/ director of the company within the mentioned period of the time/. They paid credit to L. Khachatryan /the director of the ‘’SAR Capital LLC/ in the office of ‘’ SAR Capital” LLC which is situated at Sayat-Nova avenue, and L.Khachatryan gave them a receipt of payment order in cash.

Arshaluys Paytyan had got a big part of money mentioned above, as money of the credits generally, were used by her and money were credited to the accounting of company, later were withdrawn for the payment of credits.

Repayment of the credit was beneficial in the sense that, they save about 50.000 US dollars, because of the increase of exchange rate AMD and USD. As well as 17-18 million AMD payment of interest was considered by ‘’SAR Capital” LLC as payment of principal amount of the credits, so the balance was reduced.

There were no other profitable terms offered or executed.

According to the testimonies of the case witness Arthur Matevosyan /‘’Artur & Ekaterina” LLC’s director/, in September, 2005 he founded ‘’Artur & Ekaterina” LLC, based on which he ran ‘’7 Nota” Karaoke club, situated at Teryan St. 72.

In April, 2007, A. Matevosyan applied to ‘’ BTA Bank” CJSC to receive 55.000 US dollars credit for renovation of Karaoke club. He pledged his own house. On April 10 of the same year the credit contract was signed between Matevosyan and ‘’BTA Bank” CJSC, for the term of 3 years and with annual interest rate of 20%. Matevosyan received all the money on April 13.

Matevosyan used the credit according to its objective, he renovated club. Until January of 2008, he properly made his credit obligations, but then he had some financial problems as a result he didn’t make payments for credit. So in June, 2008, the bank appealed to the court with demand for breach of the contract, confiscation of the amount of money.

According to judgment of August 16, 2008, the claim was satisfied, after that the writ of execution was send the o Judicial Acts Compulsory Enforcement Service and the house was put on auction.

On January 10, 2009 A. Matevosyan received a formal letter with the signature of the executive director of' ''BTA Bank'' CJSC, per which ''BTA Bank'' CJSC informed that the right of the creditor of the bank was transferred to ''SAR Capital'' LLC and that from now on all problems should be resolved with head of the same company.

Matevosyan communicated with Armen Sargsyan /first director of the company/, while signing the credit contract, within mentioned period of the time Sargsyan was the head of the credit department. He wanted to regulate the schedule of payment of the credit with Sargsyan, but he failed, and then didn't want to have any communication with Sargsyan.

After Armen Sargsyan, Levon Khachatryan was appointed as a director of ''SAR Capital'' LLC, with whom Matevosyan met at the end of May or in early in June, in the office of the company situated at Sayat Nova avenue. He asked to give the schedule of payment, as the price of the house was based on auction, but Khachatryan also refused to help.

Seeing that he could lose the house, he borrowed money from friends and gave the balance of credit, which amounted to

19.200.000 AMD according to the rate of the day.

He paid the money in cash to Khachatryan in the office. There was nobody else.

On the day of payment Khachatryan didn't give him the receipt of payment and explained that the stamp of the office was under the disposition of A. Sargsyan. Khachatryan promised to give him a receipt of payment in a few days. After several days he went to "SAR Capital" LLC's office and received from Khachatryan the receipt of the payment order of cash19.200.000 AMD with "SAR Capital" LLC's round stamp and signed by Khachatryan, as well as the letter addressed to the State Committee of the Real Estate Agencyto remove the barrage from pledged property.

Then he didn't have any communication with that company and its director.

According to the testimonies of the case witness, Aram Kirakosyan / chief accountant of ''MetsAniv" and ''Payt Grig" LL companies /, since November 1 of 2004 he has been working in ''Mets Aniv" and ''Payt Grig" LL companies as a chief accountant.

On November 13, 2008, Andranik Grigoryan, who was the founder and president of ''Mets Aniv" LLC, died. Arshaluys Paytyan and

Andranik Grigoryan were the founders and shareholders of ‘’Payt Grig’’ LLC. From October, 2008 to June, 2009, Levon Zoryan was the director of ‘’Payt Grig’’ LLC and, he had worked in ‘’Mets Aniv’’ LLC for a long time. After the death of Grigoryan all his rights passed on to his wife Paykar Aleksanyan.

Since 2008 Samvel Grigoryan has been holding the office of the vice president of ‘’Mets Aniv’’ LLC, who was the head of Vanadzor branch of the company.

In August and October of 2007, Andranik Grigoryan together with Arshaluys Paytyan, another shareholder of ‘’Payt Grig’’ LLC received credit from ‘’BTA Bank’’ CJSC for 2 times.

The company received the credits /500.000 US dollars and 500.000 US dollars equal to 165.000.000AMD/ for construction of a nine floor residential building on land, situated at Verin Antarayin 134/1, Yerevan. In order to receive the credits they gave as the pledge the above mentioned land as well as the territory of ‘’Arshvand’’ LLC’s petrol station located at David Bek Street.

However, the neighbor proprietors of the land mentioned above made a profitable offer. They offered to buy nearly 1300 square meters land with an agreeable price.

Thus, Grigoryan and Paytyan spent a part of the credit on land

purchase and land work, and the other part was given to the shareholder as a loan. In particular, in 2008 Arshaluys Paytyan received 261 million AMD, which she repaid it on June 1, 2009. From November to December 2008, Paykar Aleksanyan received 17.609.470 and 48.457.360, which she also repaid on June 1, 2009.

As a result, there were some problems with the Central Bank, since the objective of use of the credits according to the contracts was the construction of the residential building, and not the land purchase. So the Central Bank sent a writ to ‘’BTA Bank” CJSC.

Despite this circumstance, ‘’Payt Grig‘’ LLC fulfilled its obligations every month, which was made on the account of ‘’Mets Aniv” LLC, so 10.000 US dollars equivalent AMD was transferred from the bank account of ‘’Mets Aniv” LLC to the bank account of ‘’Payt Grig” LLC, then the money was transferred to BTA Bank” CJSC.

In January, 2009 ‘’Payt Grig” LLC received a formal letter with signature of executive director of ‘’BTA Bank” CJSC, with which they informed that the right of the creditor of the bank was conceded to ‘’ SAR Capital” LLC and that from now on all the problems should be resolved with the head of the same company.

At the moment of concession of the rights, the total amount of obligations of the company totals 503.616.41 US dollars and 166.210.000 AMD.

After that, Kirakosyan had a communication with Armen Sargsyan, the director of "SAR Capital" LLC who visited the office. Kirakosyan and Sargsyan were in working relations, when Sargsyan was the employee of the credit department of '' BTA Bank" CJSC.

Kirakosyan received from Sargsyan third minutes of the extraordinary General Board Meeting, assigned by President of the General Meeting Marat Yeltaev/ he didn't know Yertaev/. According to these minutes, the calculation of the interests, penalty and fine were stopped. As until June, 2009, they made all monthly payments, consequently the total amount of payment, which totals 50.000 US dollars considered as a payment of principal of the credit.

Late in May, 2009, Samvel Grigoryan /Vice president of ''Mets Aniv" LLC/ said that ''SAR Capital" LLC demanded to pay off the credit completely, so the company decided to make payments.

Since the shareholders of "Payt Grig" LLC repaid the loan on June, 2009 in the borrowing procedure, the next day by order of Samvel Grigoryan, they paid 336.112.120 AMD which was received after calculation of the loan amount received in dollar according to the exchange rate of dollar and Armenian dram as stipulated by the central bank and reduction of the interest amount at the rate of 50.000 USD. They visited the office of ''SAR Capital" LLC together with then director Levon Zoryan and met Khachatryan /new director of ''SAR Capital" LLC/. Khachatryan was informed that they wanted

to pay credit, but Kirakosyan couldn't say who had agreed with Khachatryan.

There was nobody else in the office. Kirakosyan gave money to Zoryan, who gave them to Khachatryan, after counting money he gave Zoryan the receipt of payment.

The next few day's letters were also received from territorial units of the State Committee of the Real Estate Cadastre about the removal of pledge.

According to the testimony of the case witness Lyudvig Poghosyan /founder and director of ''Ludvig ev vordi'' LLC/, on November 11, 1999 he founded ''Ludvig ev Vordi'' LLC, which is engaged in transportation service. Having taken part in the tender, the company was awarded with the corresponding license to use transport line N76 and until now it is engaged in transportation of passengers.

In order to represent it properly in the tender, late in 2005, he undertook to renovate the vehicles of the fleet and implementation of works directed at improving the technical maintenance working condition.

In this regard, on November of 2005, the company presented to ''BTA Bank'' CJSC a proper business-plan and other necessary

documents, to receive a credit for purchase 40 minibuses, model: ‘’GAZEL 3221”. As a pledge he offered houses with lands located at Atoyan 165 and Atoyan 167, which were his property, including purchased microbuses. The bank approved the business plan and considered sufficient pledged movable and unmovable property, agreed to provide credit. On December 6, 2005 he received the credit with term of 36 months and interest annual rate of 17%.

The amount of money was credited to the accounts department of the company and on January, 2006 the company purchased the above mentioned 40 microbuses, then the company participated in the tender and received the license. Within mentioned period of the time, the head of credit department named Pasha worked with his credit, who later died and the employee named Armen started to work with the credit, in future he became director of ‘’SAR Capital” LLC. During working process, two more times the company requested to get credits.

The second credit 200.000 US dollars, with term of 36 months, interest annual rate of 19% was granted in April of 2007. The pledge, which was base for receiving first credit, was a pledge for the second credit. He paid a big part of the first credit and the cost of the pledged property increased so it met properly with all requirements.

The purpose of the credit was renovation of the fleet, which was

completed properly and respective accounting executions were made.

On February 11, 2008, Poghosyan received third credit which totaled 9.000.000 AMD, with the term of 36 months, 19% of interest annual rate and with the same pledged property.

This credit was also used for the purpose of the company.

Poghosyan properly executed all credit obligations, hadn't got a single day of delay in repayment of interests and credit money. However, in February, 2008, energy carrier prices increased. As a result, there were problems for all the companies engaged in public transportation. Besides the increased prices of energy carrier, the government and municipality prohibited to increase prices of fare. Therefore, they started to work with loss. In the result of those circumstances, they couldn't repay monthly obligations, and appeared in irredeemable classification of credits.

In January, 2009 Poghosyan received a formal letter with signature of executive director of' ''BTA Bank'' CJSC, with which they informed that the right of creditor of the bank was conceded to '' SAR Capital'' LLC and that from now on the all problems should be resolved with the head of the same company. Attached to this letter he received a cession contract, according to which the credit obligations of the company totaled 163.330,57 US dollars and

84.784.038,80 AMD. Then Poghosyan communicated with Armen /employee of credit department, ‘’BTA Bank” CJSC, he doesn’t know the Armen’s last name. Armen confirmed the information contained in the letter and told Poghosyan that he is a director of ‘’ SAR Capital” LLC, offered him to make payments in order to pay off the credits.

In the middle of the same month, he borrowed money from friends and the total amount of money totaled 15 million AMD, Poghosyan transferred to ‘’SAR Capital” LLC’s bank account, in the head office of the ‘’BTA Bank” CJSC.

Then, payments were made to the same bank account or were paid to Armen who after that transferred money to the bank account. In particular, on February 25 of 2009 4.000.000 and 2.400.000 AMD were paid; on March 31, 2009 6.300.00 AMD and on May 8, 2009 6.300.000 AMD were paid with help of employee of the company Levon Devishyan. All these payments were made with personal means and property, as well as with borrowed money from friends and familiars.

Before credit had taken, Poghosyan as well as company had a lot of money. During 2007, he gave a loan of 200.000 US dollars to his friend Arayik Avchyan/ citizen of French Republic/.

Avchyan repaid the loan according to the Central bank USD and

AMD exchange rate, on June 1 of 2009. The amount of money mentioned above was listed in the company register.

Before taking the credit Poghosyan invested 100.000 US dollars in business of his friend Artur, who lives and works in Moscow and whose surname he couldn't remember, At first he had some profit, then situation changed and all started to go wrong, the crisis deepened this situation. So he asked his friend to return the money that he had invested. His friend part by part found all the money and sent it from Moscow to Yerevan through friends and familiars.

When Poghosyan started to receive the money from Moscow, he telephoned Armen to agree about payment. But Armen informed Poghosyan that he wasn't director of the company and Khachatryan was appointed as new director with whom he should regulate the question.

At the end of May of 2009, Poghosyan visited the office of ''SAR Capital" LLC and met Khachatryan /the director of the company/, he demanded to repay the credit and offered to repay it in cash.

As soon as they received all money /111.129.840 AMD/, on June, 2009, Poghosyan and Levon Dervishyan visited the office of ''SAR Capital" LLC and repaid the amount of money of credit in cash. After counting the money, Khachatryan gave them receipt of payment order of cash N.004, assigned by him and approved by the

company's stamp. Afte4rwards, he did not have any contact with him.

According to the testimonies of the case witness "Ludvig ev Vordi" LLC's engineer that in 2003 he got employed at "Ludvig ev Vordi" LLC as an engineer and has been working there till today. The sphere of activity of "Ludvig ev Vordi" LLC is public transportation and appropriate conditions are created for its accomplishment and according to the competition rules of the law for which the Company got activity license for the exploitation of 76 minibuses and number 1 and 17 bus lines. For the purposes of the exploitation of minibuses routline, for proper presence at the competition at 2005 the founding director Ludvig Petrosyan took a large loan from "BTA" bank and purchased 40 minibuses of "Gazel" make, after which at the beginning of 2006 had participated in the tender and won thanks to the created good conditions and updated the car fleet. After that from 2007 to 2008 the director took other loans in order to repair the territory of the car fleet and to improve the conditions of technical service, which was done. Before March of 2008 the Company had fulfilled its obligations properly by paying monthly for the loans and the percentages without any delay but because of the sharp increase in prices of energy carriers the Company appeared in a difficult financial situation, as from one side more amount of money is paid for gas and oil and from the other side the Government did not allow the increase of the passenger fares and because of that the Company began to work with loss. And because of these circumstances the Company could not fulfill its loan obligations and for which the bank imposed penalties. In 2009 he learned from the director that the bank transferred the credit obligations to "Sar Capital" LLC, after which due to Ludvig Petrosyan's instructions at "BTA" bank he paid into "Sar Capital" bank account or to "Sar Capital" directors Armen and Levon, whose surnames he did not remember. Particularly, on 25 February, 2009 due to director's instructions at "BTA" bank he paid 4.000.000 and 2.400.000 amount of money into "Sar Capital" bank account, on March 31 he paid 6.300.000 AMD to the mentioned company's ex-director Armen at their office located at Sayat Nova street, for which he got appropriate documents concerning payment and presented to the accounts department. Last time "Sar Capital" was paid by him on June 1, 2009 when Ludvig Petrosyan informed that he decided to pay off all the loans and suggested going to the office of "Sar Capital" LLC in order to make the payment as the amount of payment was large and he did not want to go alone. Before that Armen had informed him that the director of the company had been changed and the director became a person named Levon. On the mentioned day they went to the office of "Sar Capital" LLC located at Sayat Nova street, where they met the new director Levon and paid him all the remaining amount of money totaling 111.129.840 dram, after that Levon counted the money on the spot but said that he did not have the stamp at that time and asked him to come along some time later. He handed Ludvig Petrosyan the receipt of the payment order of cash and the writ of removal of mortgaged

property from barrage the next day or two days later, he did not remember.

According to the testimonies of the case witness "ED and Jak" LLC's deputy director Arman Hayrapetyan that he is the deputy director of "ED and Jak" LLC, which was established on January 1, 2004, but he is de facto owner of it and all the questions are regulated by him. The circumstance of registering it under the name of Gagik Hovhannisyan, as during the registration of the company he was a Russian citizen and became an Armenian citizen in 2005. The company was engaged in producing margarine and butter and for the reason of expanding the volume of it, on November 2006 he applied to "BTA" bank with a program for 250.000 USD loan by mortgaging the restaurant owned by him and located near David Bek street. The bank did not reject him and with two loan contracts gave the money to him. The first contract was signed on November 28, 2006 about lending 200.000 USD, the second one on 26 December, 2006 about lending 50.000 USD.

With the mentioned amount of money he expanded the volume of production and as a result of it the company could participate in the tenders organized by the Ministry of Defense and succeeded in winning it and fulfilling his contract supply obligations. But at that time USD exchange rate was 500 AMD, but a little time later the exchange rate became 300 AMD and because of it he appeared in a difficult financial situation, as from one side he had to fulfill the supply obligations with regard to the price and volume of the contract with the Ministry of Defense and from the other side the production and supply of the item were done with losses for him. For that reason he could not fulfill his obligations and as a result of it "BTA" bank on March/April 2008 filed a civil lawsuit against them with the claim for confiscation of 216.273,66 USD (debt) and 1.325.366,2 AMD (state fee). The claim was satisfied. After which the compulsory proceedings were instituted at the Judicial Acts Compulsory Enforcement Service and a timetable for 3 months was fixed for the payment of the money. Besides this amount money, unpaid penalties were also counted for the credit obligations, which amounted 63.035,19 USD. As a result of stabilization of the financial situation, the production sphere stabilized and he was able to pay all the contract fees as well as the state fee having only the debt in the amount of 63.035,19 USD, about which on 10 January, 2009 he received a notice with the signature of N. Bakbergenov the executive director of the "BTA" bank CJSC that the bank had given the right of obligations to the "Sar Capital" on the basis of the cession contract and the regulation of the question of paying off the debts was to be done with "Sar Capital". After that till the end of June he could not regulate the question of paying off the debts, though Armen and Levon the directors of "Sar Capital" called him and demanded him to pay off the debts, otherwise they would file a lawsuit against him. He knew Armen from "BTA" bank when he worked there as the head of the department of loans. He was obliged to pay off the debts at the end of June saying that he was in a difficult financial situation because of paying off previous other obligations. They only contacted by telephone, they did not meet, but he knew that the office of "Sar Capital" was located at Sayat Nova street near the shops of electronics. Only on 3 July he managed to procure the necessary amount of money, which exchange rate on that date was 22.693.000 AMD. He went to the above mentioned office of "Sar Capital" and met director Levon, whom he had never met before and only knew about

him from the words of Armen. He paid him in cash, which counted it and accepted it, but did not give any documents to him saying that the stamp was not there and he had to prepare a special writ in order to send to the Real Estate Committee of the territorial subdivision to free the mortgaged property. After that he went to the office again and Levon gave him the receipt of the payment order of cash and as well as the above mentioned writ. After that he had never contacted with any person of that company and Levon and he did not have any problems.

According to the testimonies of the case witness "Artagh" LLC's director Rostom Hovhannisyan the company was established in 1998, which operated till November, 2008 as the sphere of activity of the company was the operation of pawnshop, which is a licensed activity, so when he lost the license and it was senseless to continue the activity, that is the reason why he announced the cessation of activity. At first the director of the company was Nunik Kobalyan but after March, 2008 he was the director of the company. In order to provide the normal operation of the pawnshop, he needed a large amount of financial means and that's why he applied to the Kazakh "BTA" bank offering Nunik Kobalyan's, his wife Alvard Hovhannisyan and his apartments and territories as collaterals. The bank did not reject their request and gave them a loan in the amount of 67.000.000 dram according to 27.08.2007 contract, which was fully secured with the above mentioned property. The money was managed according to its aim, for the expansion of the volume of the business, but after that some problems arose as he worked according to the previous legislation and was not aware about the amendments of the legislation and because of it there were some discrepancies and violations of law during their operation, and that's why the pawnshop lost the license due to the decision of the Central Bank of Armenia and stopped the operation and because of this circumstance additional problems arose connected to the receiving of the assets and as well as about the general financial situation. But the main problem is that after that the Central Bank sent to the "BTA" bank a proper statement and the loan was classified as a disputable loan and as a result of it appeared in the list of loans which were given to "Sar Capital" by the right of cession. He got informed about it by the notice sent by "BTA" bank on 08.01.2009. After that he learned that the director of that company was ex head of the department of loans Armen, whose surname he did not remember, and during the meeting with Armen who informed him that he should pay monthly into the bank account of the "Sar Capital" in the same bank. All these circumstances made him trust the company and some months without any doubts he paid off the debts into the company's bank account. After that on May, 2009 Armen informed him that the director of the company had changed and the new director was Levon Khachatryan, whom he did not know. On May 15, 2009 he received a notice from Levon Khachatryan with the claim to pay off all the remnant amount of money 43.778.200 dram with the warning that otherwise he would file a lawsuit against him. Learning that he, his wife and Nunik Kobalyan could lose their property, he started to procure money and asked his friends and relatives to lend him some amount of money and as a result of it he managed to collect the needed amount of money and called Levon Khachatryan and they agreed on the meeting day. On July 3, 2009 he went to the company's office, which was located at Sayat Nova

street near the electronics shop, where he paid off all the amount of money in cash. In his presence Levon Khachatryan counted the money and printed the receipt of the payment order of cash about getting 43.778.200 dram, signed it and stamped it and gave him the statement that he had already prepared which was addressed to the Real Estate Committee of the territorial subdivision to free the mortgaged property and after that he left and had never contacted with him. He presented the statement to the Committee and removed the mortgaged property.

According to the testimonies of the witness "50*50" LLC's director Arsen Nurijanyan that in 2004 he was the shareholder and director of "50*50" LLC. The sphere of activity of the company was the production of toilet papers and egg boxes, which he runs at 3, Arin Berd, Lane 5/1, Yerevan. In 2006 in order to expand the production volume and obtain new production lines, he decided to take a large amount of loan, for which he applied to Kazakh "BTA" bank in Armenia. With the intervention of his friends living in Tashkent, on April, 2006 he got acquainted with the president (at that time) of the "BTA" bank Rasul Kasanov and discussed the business plan, Rasul Kasanov approved it, but with the condition that the loan would be secured. After that he presented all the necessary documents to the bank and pledged at first the company's building, territory, main assets, his own house and after that in order to secure other loans he also pledged the apartments of his relatives Alla Zakaryan, Karine Soghoyan, which are located in 29, Nalbandyan str., apt. 48 and 2a, Mashtots av., app. 4. On June 26, 2006 he got the first loan of 250.000 USD according to the contract, for 36 months, 18 % interest rate, on 23.11.2006 he got the second loan of 180.000 USD, for 36 months, 19 % interest rate, on 22.02.2007 third loan of 25.000 USD, for 36 months, 19 % of interest rate, the forth one on 24.05.2007 of 200.000 USD, for 36 months, 18 % of interest rate, the fifth one on 24.08.2007 of 650.000 USD, for 60 months, 16 % of interest rate and sixth loan on 15.02.2008 of 20.000.000 AMD, for 36 months, 18 % of interest rate. All these loans were used for expansion of the production volume, new production lines: for obtaining of the production of 2 toilet papers and 1 egg box, and obtention of raw materials and other necessary things. After that the production had large volumes, and had large orders. Seeing that the volume of production was widening at the beginning of 2008 he decided to buy a production line for the production of egg boxes by "Lada-M" operating in Moscow, which cost 550.000 USD including the fees for shipping. For this purpose he applied to Rasul Kasanov, who approved the transaction and gave him the loan. On that basis he signed a contract with the representative in RA of the above mentioned company, who was obliged to pay off partly the whole amount of money till May, 2008 and on February on the same year he got the initial tranche of the whole loan 20.000.000 dram from the same bank, he paid it to the Russian company. But during that time some problems arose between the bank and the Central Bank connected to the large amount of not working loans and bank's credit packages and as a result of it the bank could not lend money for the transaction and by this he got into a deadlock. As he had already had obligations arising from the contract signed with the Russian company and he had already paid advance fee 20.000.000 dram and it led to huge debts and only after 2008 he managed to pay off

the debts and used the production line. And because of these problems he had problems with paying off the debts to the bank as all the financial means were addressed to the production line. For this reason he met and discussed the problem with the new management: General Manager Nur Bakbergenov and with his adviser Marat Yeltaev, who promised to help by lending a new loan, but they did not lend him any. Though during their meetings he established good business relations with Marat Yeltaev, who had a huge role (according to him) in the activity of the bank and as well as he was the authorized person of the founders "Sar Capital" established at the end of 2008 and he was de facto manager of the company. At the same time he received a notice from the bank about the cession of the obligations, which was in the amount of 21.260.002,60 AMD and 1.045.436-66 USD. Besides when Marat Yeltaev learned that because of the difficult financial situation he sold his "BMW X5" car produced in 2007 at price 25 million AMD at the end of February, he decided to buy it but offered to pay the money partially by transferring the money into his company's ban account from the money transferred into the bank account of "Sar Capital" LLC. He agreed with him, as the offer was acceptable to him, after which on 2 March, 2009 he signed a purchase and sale agreement on the above mentioned car with Armen Sargsyan director of "Sar Capital" LLC. He knew Armen Sargsyan from "BTA" bank when he worked at the department of loans. Though Armen Sargsyan was the director of "Sar Capital" LLC but he did not have any authorization to make decisions, as those decisions were made only by Marat Yeltaev, which he got sure by signing of the purchase and sale agreement on the car and even the stamp of the company was held by Marat Yeltaev and the last one personally stamped the contract. By this contract he got partially the money: generally 18.500.000 AMD, which he used for the reduction of the loan obligations but at the end of March Marat Yeltaev informed that he had to go to Kazakhstan promising to return soon and solve problems connected to the payment and the registration of the car under his name. But having no news for a long time, at the beginning of May, 2009 asked Armen Sargsyan about him, but the last one said that Marat Yeltaev would never come back and he was dismissed from the post of director and introducing him to the new director Levon Khachatryan. Armen said that the transaction of the purchase and sale of the car could not be accomplished and he had to return the advance fee 18.500.000 dram. The new director Levon Khachatryan demanded him to pay off all the debts in a short period of time, which amount was 343.714.487 dram at the exchange rate at that day. The exchange rate was decided with the bank during the conclusion of the contract and the amount of money had already been fixed on December 27, 2008. Levon Khachatryan informed him that if he paid off the debts in a short period of time that he would not count the penalties from the day of the conclusion of the contract of cession from December 23, 2008 till May, 2009. Otherwise he would file a civil lawsuit and would claim the confiscation of all the amount of money. Learning that he could lose his and the company's property and as well as his relatives' properties, he started to procure money and asked his friends and relatives from abroad to lend him some amount of money and as a result of it he managed to collect the needed amount of money and as demanded Levon Khachatryan they met at the office of the company which was located at Sayat Nova street and on June 3, 2009 he paid off 343.714.487 dram to Levon Khachatryan and for which the last one gave him

the receipt of the payment order of cash and the writ of removal of mortgaged property from barrage. At that time there was nobody at the office. And what about the returning of the money paid for the purchase and sale of the car, it was done the same way. On July 7, 2009 by paying to Levon Khachatryan, who counted the money and printed the receipt of the payment order of cash about getting 18.500.000 dram, signed it and stamped it. After that they had never met.

According to the testimonies of the case witnesses Tigran Mazmanyan /"Molinos" LLC's CEO/, in 2007 he founded 2 companies, "Sonimol" LLC on behalf of his name and "Molinos" LLC on behalf of his brother's name. In the mentioned of time period, Mher Avetisyan was wheat importer and he met Mher Avetisyan while transactions related to the purchase of wheat for his mill. He decided to cooperate with him within the framework of doing business in that field as he also was involved in that business.

A contract was signed between "Molinos" LLC and "Nor Tun" LLC's CEO Vardan Avetisyan who is the father of Mher. By this contract "Nor Tun" LLC was obliged to supply 3,800 tons of wheat and "Molinos" LLC was obliged to purchase and transfer appropriate amount to the bank account of "Nor Tun" LLC.

In May 2007 they applied to "BTA bank" CJSC and submitted the contracts and business plan, in order to pay already existing credits as well as to involve other huge credits for implementation of that contract. After examining the business opportunity and the results, and considering it authentic, the bank gave them 3 credits: On May 25, 2007-over 105 million AMD, on June 1, 2007 over 297.000 USD dollars and on July 19, 2007 over 900.000 US dollars. For obtaining the first and the second credits they had pledged the mill building, all accommodations, the pasta production line, all the apartments situated in Etchmiadzin, and matter regarding the mortgage property for the "wheat" credit was regulated by Mher Avetisyan who pledged the great part of imported wheat. The first 2 credits used for payment the rest amount of existing old credit and a little part used for enlargement of the business and production opportunities. The 900000 USD credit had been transferred to "Nor Tun" LLC's bank account serving by BTA bank in order to purchase the wheat and supply it to them.

But after that deal, the cooperation did not continue, the supply obligation prescribed by the contract was not fulfilled, because of difficult period due to world economic crisis, the abrupt rise in the international wheat prices, with irregular and illogical changes in the internal market in the result of which Mher Avetisyan failed to fulfill contractual obligations.

Besides all these they were continuing to perform duly «Molinos» LLC's credit obligations including payment of principal and accrued interest till March 2009, while understanding the importance of maintenance the credit rating of company, and they didn't have any expired day. But after all the above stated facts in January 2009, they received a notice from BTA bank informing that «Molinos» LLC's credit obligations in the amount of 106.946.950 AMD were transferred to «Sar capital» LLC by

contract of cession.

Till March 2009 they were transferring the monthly amount of credit obligation to «Molinos» LLC's bank account, after which it had been transferred to «Sar capital» LLC's account.

In initial period of time the loan securities /real estate of the mill and accommodations/ were released as prescribed by law. In March 2009 the present CEO of «Sar capital» LLC Armen Sargsyan, whom he met in the loan department of the bank during his loan performing process, the head of loan department Pasha and one unknown person, who were examining the production opportunities, came to the territory of the mill and Armen Sargsyan declared that the credits of «Molinos» LLC were classified that's why they were assigned to «Sar capital» LLC by cession contract.

Mher Avetisyan also made loan payments rewarding his outstanding liabilities, but yet still he owes over 70.000-80.000 US dollar. In May 2009 they received a notice from «Sar capital» LLC's new CEO Levon Khachatryan, demanding to pay the whole credit obligation. Afterwards they were trying to find money for that purpose by mobilization personnel money as well as «Sonimol» LLC's profit, and also the part of credit received on March 10, 2009 from the Armenian Development Bank on behalf of the company.

During May 2009, he had visited twice «Sar capital» LLC's office situated at Sayat-Nova avenue, where he had met Levon Khachatryan and had an agreement with him regarding the payments terms. Then he collected the abovementioned amount over 106.946.950 AMD, had a call and took an appointment with Levon Khachatryan in the office and on 1 June 2009 gave him in cash the whole requested amount and received cash receipts confirming the payment and the order for removal of the barrage from pledged property. In that period there wasn't any other person in the office. After that deal he didn't meet the director.

According to the testimonies of the case witness Mher Avetisyan, during 2006-2007 he was the wholesale importer of wheat, as well as purchaser in the territory of RA and due to that business he needed money. He made a mutually beneficial cooperation offer to the directors of “Makarella”, “Meneva”, “Safari Line Group”, “Vik Vah” and “M & T agro” companies in order to get a new loan as in that period of time “Nor &M” LLC founded on behalf of his name and founded “Nor Tun” LLC on behalf of his father’s name already had large loans and pursuant to the charter of “BTA bank” CJSC one company was able to get the loan not more then 15-20 percent of company’s authorized capital; in this case not more than 2mln USD. His part of cooperation was to import to RA the huge quantity of wheat which will manufacture in his flour mill as well as in elevators of listed companies by using their production facilities. In exchange for which they will get money. It was the reason why he applied to the directors of the above mentioned companies for getting a loan on behalf of their name and uses that loan with an aim of wheat import. The loan finances received from the bank were sent to “Nor Tun” LLC's account, then when exchanged, he transferred the same to various

companies' accounts. Those companies were wheat supply companies situated in the Russian Federation, in Ukraine, in Argentina, in the United Kingdom and in Georgia which already launched the supply process. Besides, a certain amount of that loan was spent on tax liabilities of these transactions deals, as well as on transport costs. Some money was allocated for the execution of its previous credit obligations.

The whole amount was spent for wheat business, but due to world economic crisis, overgrowth of international wheat price and the decrease of prices on the internal market by reason of monopolistic practices, had led to the fact that that one ton of wheat cost him 635 US dollars, and was sold for about 320-370 US dollars, which resulted in a great loss. That was the reason that he failed to fulfill the obligations before the cooperating companies, but also to repay bank liabilities. For the purpose of getting of that difficult finance situation he immediately sold the imported wheat including the quantity of wheat pledged to secure these loans. He realized that deal in accordance with the bank authorities, especially with Rasul Kasanov. He had paid a part of loan obligation and was obligated to fulfill the rest on his own. He informed all the directors of the cooperating companies about that decision and deal.

Due to this existing situation, at request of the companies' managers he purchased the companies under the name of his acquaintances without any principal assets in order to regulate all loan issues on his own and not to disturb them with this issue. During the two meetings a verbal agreement on "wheat loans" repayment was acquired with "BTA Bank Kazakhstan" CJSC's former senior shareholder Mukhtar Ablyazov, but no written document was executed.

Considering the fact of his relation with the "Sar Capital" LLC's activities, he witnessed that he didn't meet the company's CEO Levon Khachatryan before, he supported him somehow, because Mukhtar Ablyazov who had very friendly attitude towards him just asked for that and he was feeling obliged to do that. He just gave him some advice how to demand the money from borrowers; he didn't have any financial problem with him. He never demanded the money from anyone, he didn't have any relation with this, otherwise he could ensure the payment of wheat loan duties which are now acquired by «Sar Capital" LLC at least even with false contracts, which did not occur, such credit liabilities actually remained in the same status, as were available with the bank, although at request of Levon Khachatryan, he did not repay them since he had a verbal agreement with Mukhtar Ablyazov.

According to the testimonies of the case witness David Pirinyan. In February, 2009 he rent a commercial area located at Sayat-Nova 22, Yerevan, for purpose of carrying out pawnshop activities. That belonged before to his friend Armen as a shoe shop who was selling and taking the shoe orders. In the initial period he used to visit very often his friend's shop and he had met there one of the shop's regular client, who was the deputy director of the Kazakh "BTA Bank" in Armenia, Marat Yeltaev. He used to order shoes in the Armen's shoe shop and very frequently they had conversations. Marat Yeltaev used to visit again the shoe shop after the time when his friend left for

Russia and he rented that shop and he had a conversation with me about further usage of that area and he told him that he intended to open a pawnshop, but he required a sum of 200-300 thousand US dollars. Marat Yeltaev promised to help him for getting a loan on over 100 million AMD and he agreed with him. But Marat Yeltaev also suggested that prior to accomplishing the organizational activities related to the opening of the pawnshop, hand over that shop to him by sublease with the term of 6 months for the purpose of activities of "Sar Capital" LLC. He agreed and asked 800,000 monthly fees for 6 months, i.e., 4,800,000 AMD. He signed the rent contract as "Arok" LLC's director, that's why the sublease contract also as "Arok" LLC's director he signed with "Sar capital" LLC's director Armen Sargsyan and received the rent amount transferred to his account.

During that period with the help of Armen Sargsyan, Pirinyan received 56 million AMD loan from "Sar Capital" LLC's account which was fixed in "BTA bank" CSJC. But when he asked about receiving the rest of 100 million promised loan by Marat Yeltayev, Armen Sargsyan informed him that Marat Yeltayev left Armenia. However from the same company's account fixed in «Ardshininvest bank" branch of "Malatia" they transferred 20 mln AMD also. Sometime later he had met Armen Sargsyan and he asked to him when he can receive the rest 24mln AMD. Armen Sargsyan answered that he was not a director anymore and he had introduced the new director Levon Khachatryan and told to apply to him for any question. Sometime later he applied to Khachatryan in order to receive the rest amount, but he answered that they can't transfer anymore the other money and he demanded to return the received full amount, plus the rates, 77 million, threatening that if he did not give money, he would apply to the court and get it.

So, Pirinyan understood that he could not use the received amount for its purpose, on July 7, 2009, he came to the office, gave to Khachatryan in cash the demanded amount 77 million AMD and received cash receipts confirming the payment. After that deal he did not meet the director any more.

According to the testimonies of case witness, Armen Sargsyan, since October 2005 he has been working in "BTA bank" CJSC as a Chief Specialist of Credit Department, then as a Head of small and medium business lending department and head of corporate banking department. From 17 December 2008 till March 2009 he was working as a Director of the "SAR Capital" LLC and since 31 March he was fulfilling only "Sar Capital" LLC's CEO duties. On 8 May he was dismissed from the post of director and continued to work in "BTA Bank" CJSC.

"Sar capital" LLC was founded on December 4, 2008 with the goal of obtaining the "unliquidated" assets of "BTA bank" CJSC because in that period of the time, the bank had serious problems and could lose its license. He was appointed as «Sar capital» LLC's CEO on December 17, 2008 in order to executed the cession contracts deal between «Sar Capital» LLC and the Bank, to make further return of those debts. "Sar capital" LLC acquired from Bank 29 loan packages of borrowers. Some borrowers at the time of transaction were classified according to the banking rules as the loans for unintended use, and the main part of borrowers had overdue payments. All credits were secured by

collateral, besides the «wheat credit» which includes the credits on behalf of «Menevia», «Makarella», «Safari line group», « Vik vah» and «M&T agro» companies, 5 of above mentioned 29 credits had been provided with Sargsyan's direct participation. Especially the credit on behalf of «Artax» LLC and «New Generation Consult» LLC, the credit on behalf of «Artur Yekaterina» LLC, «Daks Art» LLC and the credit on behalf of «Ararat Nazaretyan».

Sargsyan conducted an examination of listed companies' activities, of their profitability and of proposed collateral while providing all thereof credits. The results were appropriate to the standards required by regulation. He did not receive any indication from bank authorities concerning these loans as well as did not have any agreement with anyone.

Sargsyan ensured the payment of some parts of credits, «Artax» LLC, «Lyudvig& son» LLC, «Anahit Simonyan», «Gasmen» LLC, «PaytGrig» LLC, «Ararat Nazaretyan», «Likar» LLC, «Spartak» LLC, «Galuanta» LLC and other individuals and legal entities after his appointment as a director of «Sar capital» LLC. The company's office was situated at Sayat-Nova 22, Yerevan. He transferred the loan over 30.800 USD and 77 million AMD to the bank account of «Arinjalco» LLC and David Pirinyan as well as he provided an advance payment of over 18.500.000 AMD by car purchase and sales contract to "50 * 50" LLC in accordance with the Marat Yeltaev's decision who was the authorized person of the sole shareholder of the company and the General Director's advisor of "BTA Bank" CJSC. By the power of attorney given to him, he had the authority to perform any activity which could be carried out by the shareholder according to the company's charter.

On March 23, 2009 Marat Yeltaev was dismissed from that position and left Armenia. After some time he understood that Marat would not return anymore, he was not willing to take alone that huge responsibility of the company's activity and assets, that's why by telephone call he requested Marat Yeltaev resignation from director's position at the beginning of May 2009. Then on May 8, 2009 Sargsyan met the new director Levon Khachatryan who gave him the decision according to which Armen Sargsyan resigned from the “Sar Capital” LLC's director's position and Levon Khachatryan was appointed to the position thereof. He doesn't have any information about Levon Khachatryan appointment. He was simply very glad about that and he helped Levon Khachatryan in the CEO change state registration process, he provided to him all cases and documents, as well as the company's founding documents and seal, and Yevgeniy Kolomiets's loan collateral vehicle Nissan Panthfinder.

Sargsyan used to help Levon Khachatryan also in different questions related to credits and borrowers. "BTA Bank" CJSC borrower and responsible for "wheat credits" Mher Avetisyan called him and took an interest in the issues related to borrowers. Avetisyan told that he was instructed by the bank's founders and authorities. Sargsyan doesn't have any other information about that.

After his release he does not engage himself in any financial affairs, he only gave some professional

advice and information to Levon Khachatryan. It's only some time before that he learnt about Levon Khachatryan's criminal activity. The former Deputy of General Director of "BTA Bank" CJSC Aram Iosifyan called Sargsyan and took an appointment in the office at the beginning of July 2009. During that meeting with Aram, Georgi and some other persons Aram Iosifyan submitted the power of attorney granted to him by the "Sar Capital" LLC's founder company "Septrade Limited" LLC's founders and informed them that the company's CEO, Levon Khachatryan with other accomplices stole almost all the credit assets, illegally removing the pledged items from the barrages.

According to the testimonies of the case witness of "Gasmen" LLC's CEO Samvel Khachatryan givenduring case investigation and examined during trial. In May, 2002 he founded "Gasmen" LLC which was engaged in public transportation in Yerevan city by "Bogdan" and "Paz" buses, in which regard he signed a contract with the Municipality of Yerevan in 2007. His company purchased and imported 20 "Bogdan" buses. With this objective in August and October 2007, he received loans from Kazakh "BTA bank" in amount of 47.377.900AMD with 3 year term and 182.534.467 AMD with 5 year term, 18% interest annual rate. Before this, in June 2007 he got 8.226.734 AMD loan with 3 years term and 20% interest annual rate from the same bank in order to purchase "Gazel" microbuses which were replaced by buses. All the above loan amounts were credited to the accounts department of the company and withdrawn in the same procedure as prescribed by law. In that period of the time they received 58 "Bogdan" microbuses from Municipality by contracts of rent.

They had some problems due to enlargement of parking territory and legal address and that was the reason why the Municipality provided by rent with 5 years of term the territory of car fleet situated at Charbakh, Shirak 92 Street, and Yerevan which is the company's actual business address. All the loans were secured by the pledged property, in particular by the private house belonging to his friend Harutyun Harutyunyan /address: Kotayk, Arinj village, 15th Street, home 39/ and by 20 "Bogdan" buses. Till 01 march 2008 they properly made all the loan monthly payments. On March 1, during the riots that took place in Yerevan, 11 buses belonging to company were damaged. They had to demand «BTA bank» to get a loan in order to repair the buses. In March 2008 they got a loan for 10.782.165 AMD.

In 2008, they had financial problems due to abrupt increase of fuel prices and the company started to work with loss and could not pay credit obligations as well as ensure technical services of the car fleet. Therefore, the company in that difficult financial situation could not perform the tax duties, the financial obligations related to the purchase of diesel fuel as well as loan obligations, despite the written warnings of the bank employees.

In March 2009, Samvel Khachatryan visited «BTA bank». In credit department they told him that the rights of creditor debt obligations were purchased by the "Sar Capital" LLC. He received also the contract of cession signed between «BTA bank» and «Sar capital» LLC. Some time later a person whose name was Lyova came to his office and told him that the company would appeal to the court with demand of repayment of the debt through the sale of pledged property. He offered to pay the

debt willingly. The total amount was 278.236.611 AMD. On May 26, 2009 he paid 2.563.540 AMD to the former director of the company Armen. Then, he was afraid that the pledged house of his friend could be sold by auction, he borrowed money and repaid loans. Samvel Khachatryan paid 275.625.612 AMD to Levon Khachatryan in cash, in ''SAR Capital'' LLC's office. Levon Khachatryan gave him signed and stamped cash receipt confirming the payment and the order of removal barrage from the pledged property /the house and the buses/. After that deal he didn't meet the director.

According the evidences of the case witness Gevorg Andreasyan,«New Generation" LLC's director given during the case investigation and examined during trial, the company was founded by his aunt Gayane Grigoryan but the activity of company was run by his uncle Samvel Grigoryan, who died on March 19, 2008. It was a pawnshop situated in the rented area in the gold jewelry market belonging to "Vagharsh and Sons" company. In May, 2007 his uncle offered him to get a loan in order to enlarge the activity of the pawnhouse and engage in other business programs with friends. His uncle asked him to give consent for pledging Andreasyan's property /Nor Aresh 15th Street, house 63/ in the BTA Bank. Andreasyan gave his consent. In May, 2007 his uncle received 2 credits, 200.000 USD for 3 years term, 19 % of annual interest rate and 100.000 USD for 3 years term, 18 % of annual interest rate. After getting the loans his uncle made some deals but later he died. Starting February 2008 his health was getting worse and on March 19, 2008 he died and left unfinished the business projects undertaken by him. Later, the activity of "New Generation Consults" LLC failed. After paying the debts, there were above mentioned credits. Andreasyan couldn't repay the credits because he had also to return some investments made by his uncle. At that time BTA bank appealed to the court with the demand for confiscation of money. At the beginning of January, in 2009 the employee of the credit department of "BTA Bank" Armen informed him that from now on all the questions should be regulated with «Sar Capital» LLC. Then Andreasyan received a statement from «Sar Capital» LLC informing that the company's credit obligations were transferred to «Sar Capital» LLC by contract of cession and repayment must be done in «Sar capital» LLC. Since Andreasyan's father had a heart attack in the mentioned period of time, he was busy with his medical issues, then he could not know more about the loans obligations, but some time later the director of the company Levon Khachatryan called him and said that if he didn't pay off the credits, his house would be confiscated. The balances of credits totaled 103.059.593,20 AMD and 174.281,56 USD. Andreasyan was very angry, because of the manner of speaking and threats of Khachatryan. Andreasyan answered him strictly that nobody could confiscate his house and he would pay off.

Later Andreasyan borrowed 20 million AMD and in May, 2009 /the exact date he did not remember/ then he called Levon Khachatryan and took an appointment with him near "Ayrarat" cinema. During the meeting Levon Khachatryan submitted the credit case, the cession contract between the Bank and "Sar Capital" LLC and said that he is from Echmiadzin and he is the current director of company so the repayment problems must be regulated with him. At that time Andreasyan paid 20 million AMD for which Khachatryan didn't gave him any receipt. Khachatryan suggested submitting the

receipts confirming the cash payment whereas Andreasyan would pay the total amount.

Then, Andreasyan collected all the money from the deals implemented by his uncle. At the end of May he collected the total amount / 149.830.630 AMD/. On June 1, 2009 Andreasyan visited "Sar Capital" LLC's office situated at Sayat Nova avenue where Andreasyan paid the amount thereof to Levon Khachatryan. Khachatryan counted the amount in his presence then entered in another room and left the money there. There wasn't anyone in the office at that time. Andreasyan demanded the receipts. At first Levon Khachatryan denied then agreed with him and gave him the receipt of the payment order of cash payment as well as the house certificate of ownership and a letter, the subject of which Andreasyan didn't know.

According to the testimonies of case witness Aleksan Guroghlyan /founder of "Daks-Art" LLC/ given during the case investigation and examined during the trial. In June, 2005 he founded "Daks-Art" LLC with his friend Samvel Sargsyan. He owned 80 percent shares of the company. The residential address of Samvel Sargsyan /H. Kochar 16/1, app. 5/ was registered as juridical address of the company. The CEO of company was Samvel. The company was engaged in alcohol importation and sales, in particular, Ukrainian "Mrnaya" brand vodka. In September, 2006 they demanded Khazakh "BTA invest bank" to get a loan in order to organize the business. For getting loan 2000000 AMD he pledged the house owned by his wife Gayane Martirosyan situated at Nork, 13th St., 33,Yerevan. At that time the market cost of that house was 150,000,000 AMD.

In September 12, 2006 the company received the loan/ 1.950.000 AMD/, in term of 2 years and annual interest rate 19%. The money mentioned above was used for customs clearance of imported goods. In February 07, 2006 he got the second loan /7.250.000 AMD/, with term of 2 years and annual interest rate 19% from the same bank. The third loan they got on May 22, 2007 totaling over 68 million AMD with 2 years and annual interest rate18%. And the last fourth loan they received on 20 August, 2007 for 5.300.000 AMD with 6 months and 18% interest rate.

The whole amount of above stated loans was spent on business development. The first and the fourth loans were paid off on time, as well as another loans repayment obligation was done properly during some time. The importation of large quantities of vodka, in particular, the above mentioned "Mrnaya" brand vodka produced by Ukrainian "Soyuz-Victor" company, the improper behavior of company's suppliers and the world economic crisis had led to the difficult financial situation and the company suffered big losses.

That was the reason that **Guroghlyan** failed to fulfill the loan obligations and repay bank liabilities. The total amount of "Daks-Art" LLC's liabilities was over 86,000,000 drams, but the bank offered to rebate the amount, subtract fines, penalties and finally they had to pay only 82,500,000 drams. In that period they were unable to find that amount from somewhere and pay, that's why the Bank appealed with demand for confiscation. The court decided to confiscate 277.819,26 USD as well as the state fee over 1.741.220 AMD. In order to implement this decision the appropriate authority seized

his house and due to the sum originated from the auction seal the said money was to be collected. But after about 2 months the creditor's rights were changed, in particular during January 2009 they got a statement which informed that the company's credit obligation is assigned to "Sar Capital" LLC by the cession contract.

After this, Guroghlyan had conversations and meeting with regard to his credit obligation with the director of "Sar capital" LLC Armen who was the employee of the credit department of the bank, he gave time for fulfilling the obligations. At the end of May, 2009 he managed finally to collect the above mentioned amount and together with Samvel visited the "Sar Capital" company's office situated at Sayat-Nova. In the mentioned office he had meetings with Armen before that. In the office he found only one young girl who told him that she didn't have any relation with the company and the director wasn't there. Then he called Armen, who informed him that he resigned from the director's post and the director was Levon, whose last name he did not remember and gave the mobile phone number of Levon. He called Levon and told him that he wanted to pay off the loan. Levon told him that he had some problems and he had to go to Echmiadzin. The meeting took place the next day, during which he had to pay the total amount in cash.

The next day Guroghlyan went to the office together with Samvel Sargsyan. Levon was sitting next to the computer. He submitted all relative documents as well as the cession contract and informed that the total amount of "Daks Art" company's loan obligation is 115.680.670 AMD which includes 300.170,14 USD and 1.741.220,20 AMD. Levon offered to pay off the loan and promised not to count the scheduled interest and penalty fines. As Guroghlyan already had the whole amount, he paid to Levon 115.680.670 AMD in cash, on the same day and in the same place. Levon took the amount but he said that the receipts of payment order of cash would be submitted the next day. The next day he received the receipts of payment order of cash and the writ for removal of barrage from the pledged property. The receipt was attached to the accounting documents, since all cash movements, including the amount of the loan repayment were legalized in terms of accounting, i.e. crediting and withdrawal.

According to the testimonies of case witness Ruben Ghazaryan, given during the preliminary investigation and examined trial where he said that in 1991 he had got married to Vardush Panosyan and they worked together till 2008 in "Alzas" LLC. He worked there as a marketing manager. They had apartment problems and in December, 2005 he decided to buy his uncle's house. The house was registered under his uncle's daughter Naira Ghazaryan, who was also the owner of the house. The house was locate at Yerevan, Aygedzor 1 lane, House 18. The price of the house was 425.000 USD from which he could pay only 125.000 USD, which he got from another uncle of his Edvard Ghazaryan, who gave him that amount as a gift before leaving to USA. The rest of the amount 300.000 USD Ruben together with his wife decided to take from the bank as mortgage credit. Due to that reason they applied to "BTA bank" CJSC in Yerevan, where they offered good terms and conditions and a good guarantee for getting the credit. As he had already a credit for a refrigerator,

they decided to get that loan from the bank on behalf of his wife Vardush Panosyan. They submitted to the Bank all the documents required by the specialist of the credit department of the bank, including the information about the revenue of their family members. Then the credit was approved by the bank department and by the head director of the bank Rasul Kasanov. The credit was given for 10 years' term, annual interest rate 15 %.Before having that credit Ghazaryan knew nobody working in "BTA bank", he had no relations there, and nobody helped him to have the credit. After that Ghazaryan received the credit, he executed his obligations properly according to the credit contract. But from February to March, 2008, due to his commercial business problems, he was not able to pay the credit on time, that's why his credit was classified unredeemable by the bank. Although the longest overdue was only 15 days. At the end of November 2008 Ghazaryan was informed by the bank that because of the classification, his credit status was included on a hopeless customer's list and that the bank give his loan with other similar cases to another company under the cession contract. Later, in December, 2008 he got a statement from the bank, in which it was said that the rights of the credit responsibility, which was 228.347,22 USD were transferred to "Sar capital" LLC under the cession contract and since that all the questions with payments and repayments he had to regulate with the head of the company. At that time the director of "Sar Capital" LLC Armen Sargsyan called him and explained that he had to make his payments on the same bank but for "Sar Capital" LLC account. Before that Ruben knew Armen Sargsyan as an employee of the credit department of the ''BTA bank'' CJSC. From January till May 2009 Ghazaryan regularly made his payments to "Sar Capital" LLC's bank account by "BTA bank", as his credit was for a long term and there was left long time before the time for paying the credit was finished. But in May 2009 Ghazaryan received a writ from the new director of "Sar Capital" LLC Levon Khachatryan, with his signature where he demanded to pay all credit by sending the money to "Sar Capital" LLC account number or in cash, otherwise he would get the money by the court. Then Ruben went to "Sar Capital" LLC office, which was located at Sayat-Nova street, where he met Levon Khachatryan, who explained to him that as the credit was classified and was entered on a hopeless credits list, and as it was given by a cession contract to "Sar Capital" LLC, the date of credit contract with the bank didn't work any longer. So he was obligated to pay all the credits at once. Otherwise he would apply to the court for the house confiscation. Ruben seeing that he might lose the valuable house he applied to his uncle's family, from whom he had bought the house, by asking to recognize their transaction deal as invalid. Ruben asked them to give the money he had paid to them 450000 USD for the house back and he would give the house back to them. The uncle's family agreed to his offer but because they had spent much of that money, they could return only 200.000 USD. The rest they promised to pay part by part in the future to Ghazaryan. After the agreement with uncle's family, he went to the office to let Levon Khachatryan know that he would pay the money and that Khachatryan shouldn't appeal to the court. At that time Levon demanded to pay the money in cash and he promised to give Ghazaryan the receipts of cash payment. Ghazaryan borrowing more than 28000 USD from his friends and relatives exchanged all the money he had for AMD. Then, on June 02, 2009 he went to "Sar Capital" LLC and paid Levon Khachatryan 80.130.810 AMD in cash. At that time there was

nobody in the office except Ghazaryan and Khachatryan. After getting and putting the money somewhere, Levon Khachatryan told that he would be back in a few minutes and he left the room and entered another room of the office. After some time he came and gave Ghazaryan the receipt of payment order of cash where the amount and the data about Ruben's wife were typed and at the bottom was signature of Levon Khachatryan.

According the evidences of the case witness Ara Guroghlyan, given during the case investigation and examined during trial, that in 2006 he was in a difficult financial situation and he decided to sell one of the following houses; his own property or his father's property. These houses were being sold in auction by the Judicial Acts Compulsory Enforcement Service because of non-payment of his credit obligations. He turned to his friends and relatives offering them to buy one of these houses. He owed his friend Samvel Darbinyan 10.000 USD. Samvel Darbinyan wanted to purchase his own house at the price of 200000 USD /address: Nork 6th St., 1st Lane, House 25, Yerevan/ by mortgage loan. In August, 2006 Darbinyan informed that they could formulate thereof purchase deal in Khazakh "BTA bank". Later they made the deal and Darbinyan paid the deposit. After a few days he received the cost of the house 200.000 USD in the headquarter of "BTA bank" situated at Tumanyan street, Yerevan. The loan was issued in AMD, but the amount was converted in USD by his will. Guroghlyan couldn't repay the debt of Darbinyan that's why he offered him to execute the monthly mortgage loan contract obligations which Darbinyan assumed. So further payments of mortgage loan obligations, as well as the payment of the first 2-3 months were executed by Samvel. Two months later, Samvel Darbinyan had commercial finance problems and he appeared in a difficult financial situation. Consequently, Darbinyan refused to continue the mutual agreement and asked to return the amount of difference. Therefore, the further service of loan should be made by Guroghlyan. As Darbinyan helped him and gave him money for solving his personal problems, he accepted his offer. Darbinyan gave the power of attorney approved by a notary public to his wife Nune Kostanyan. The above mentioned difference, which Darbinyan paid personally, returned to him part by part. But till today Guroghlyan still owed Darbinyan money and made the repayment. During the initial period of the time his difficult financial situation led to the occurrence of other problems connected with the execution of the mortgage contract obligation. That's why his credit transaction was classified by the bank. At the beginning of 2008 the bank applied to the court for confiscation the amount over 178.000 USD including fines and penalties.

The court hearings were delayed, as in the beginning the claim was submitted to the Commercial Court which was liquidated in the initial period. Then the claim was submitted to the Court of First Instance of Avan and Nor-Nork districts. Guroghlyan attended the court hearings as a representative of Darbinyan according to the power of attorney granted to him. In the bank Darbinyan communicated with the employee of the credit department Armen Sargsyan concerning the loans and credit questions. In the court hearings the bank was represented by the lawyer, whose name he doesn't remember.

Later, in June, 2009 Guroghlyan was informed by the court that the "BTA bank" CJSC rejected the claim because the bank conceded the creditor's rights to "Sar capital" LLC under the cession contract. The "Sar Capital" LLC should engage itself in the credit repayment process. Guroghlyan immediately called Armen Sargsyan and was informed that he is the present director of the company. Some time later Armen Sargsyan told him that he didn't have any relation with "Sar Capital" LLC anymore and all questions would be regulated by the new director named Levon.

Before that, at the end of 2008, Guroghlyan sold his house located at Nork 9th street, house 42, Yerevan, at the price of 150.000 USD in order to give the debt and save the house. However, the bank demanded more money calculating the penalty and fines. Thus, he tried to decrease the payable amount.

Few days later, at the end of June 2009, he does not remember the exact date, he received a call from Khachatryan ("Sar Capital" LLC's director) who invited him to the office which was situated at Sayat-Nova avenue. During the meeting Khachatryan demanded to pay the total amount over 178.000 USD required by the bank whereby the civil claim. Khachatryan argumented that the debt was estimated 178.000 USD. But Guroghlyan protested and submitted the calculation made by himself according to which he argumented that the bank counted the groundless fines, penalties and court costs. After that, Khachatryan agreed with him and analyzing some documents announced that the final cost of debt as 57.439.340 AMD. He demanded to repay the amount in cash during several days by crediting to company's cash desk. As Guroghlyan was willing to repay the money, on July 3 or 4, 2009 he went to the office of ''SAR Capital'' LLC and paid Khachatryan over 5000 USD in cash. He also asked him to wait for several days he would find and pay the balance 5000 USD. Khachatryan told him that he could wait and would submit the receipts confirming the payment while he would accomplish the whole credit payment. Then, after two days Guroghlyan had borrowed 5000 USD from his friend Garik, which surname he does not remember and who is living in USA at the present days. Guroghlyan exchanged the amount thereof to for and paid it to Levon Khachatryan in the above stated office. Khachatryan gave him the receipt of payment order of cash 57.439.340 AMD, as well as the writ of removal barrage from pledged property and the notice addressed to Samvel Darbinyan about cession of credit obligations to "Sar Capital" LLC by cession contract and about demand of payment.

According to the evidences of the case witness «Sapark" LLC's director Ashot Atanesyan, given during the case investigation and examined during trial, in 2000 Atanesyan founded «Karzel» LLC on behalf of which he purchased from the State the part of metal plant production area owed by the former "HydroEnergoShin" company situated at Sharur 36/1 Street, Yerevan. After purchasing that area Atanesyan made large-scale investments there and built a vegetable oil, soap production, with its corresponding production lines, warehouses and industrial divisions. The purpose for all was the production and sales of vegetable oil for which Atanesyan received also the loans.

Considering the fact of increasing demand as well as the need to develop the production and in

order to increase production and sales opportunities the company cooperated with the following companies operating in the neighborhood, such as "Sapark" LLC, "Lika" LLC, "Gin-Shin" LLC and "Galuanta" LLC. Each of these companies had its own sphere of activity and specialization, had the appropriate facilities and fixed principal assets. Especially, "Sapark" LLC director of which was Andranik Khachatryan, specialized in the good's transportation. For the implementation of that transportation the company had the necessary infrastructure, including the tanks intended for oil and other goods transportation.

The "Galuanta" LLC, the director of which was Gagik Tumanyan, specialized in sale and supply of food and other food products. The company had an appropriate commercial network of sales distributed via Armenia, which was a very important factor in sales of manufactured product and in ensuring the profits.

The "Likar" LLC, the director of which was Avet Hayrumyan, specialized mainly in supply of food by tenders to the state institutions, particularly to the Ministry of Defence. The company had great opportunities and successful experience in the field of foreign trade activities, the capabilities of which were used in all with mutually beneficial manner.

The "Gin-Shin" LLC, the director of which was Artak Abelyan, specialized in the field of construction and trade. The company had the appropriate licenses for the construction activities. The capabilities of the company were also useful in the construction of various structures, as well as in the implementation of large-scale construction orders.

The private employer "Anahit Simonyan", the director of which was Anahit Simonyan, who was involved in the importation of commodities from China, the opportunities of which during that period were used for importation and sale of goods in large amounts. All these opportunities were given to Atanesyan and the managers of those companies to plan and made a great business plan for increasing the volume of vegetable oil production and its sales. For purpose thereof they needed 8 million USD credit in order to ensure the new production lines as well as the necessary amount of raw material and other infrastructure.

For the implementation of this program, at Atanesyan's own initiative, they decided to get a loan on behalf of all these companies, besides «Kazel» LLC belonging to Atanesyan. As «Kazel» LLC's principal assets' value was much higher than the expected size of the loan, so the directors thereof companies planned to use the «Kazel» LLC's capabilities for getting the biggest loan in the end. During that period of time one of these companies used to cooperate effectively and got the loan from Kazakh «BTA Bank» CJSC in Armenia. That's why in summer of 2006 they applied to the same bank for getting the loans in order to accomplish the purposes specified in the business plan. The authority of the Bank, especially the head of bank RasulKasanov and his deputies, were discussing their business plan and the real possibilities of its implementation. They approved the plan and agreed to lend it completely.

To this objective, they started to regularly receive the loans. Particularly:

On behalf of **«Likar»** LLC 4 loans:

Contract of September 19, 2006 - 150.000 USD, with term of 18 months, annual interest rate 16%. Contract of April 18, 2007- 150.000 USD, with term of 12 months, annual interest rate 16%. Contract of July 23, 2007 -172.000 USD, with term of 12months, annual interest rate 16%. Contract of October 12, 2007 - 56.000.000, with term of 6 months, annual interest rate 16%.

On behalf of **«Galuanta»** LLC 3 loans:

Contract of August 20, 2007- 240.000 USD, with term of 12 months, annual interest rate 16%. Contract of January 1, 2008 - 360.000 USD, with term of 12months, annual interest rate 16% Contract of January 24, 2008 -20.000.000AMD, with term of 4 months, annual interest rate 17%.

On behalf of the private employer **"Anahit Simonyan"** the loan: 70.000.000 AMD, with term of 12 months, annual interest rate 17%.

On behalf of **«Sapark**» LLC they got 4 loans:

Contract of November 14, 2006 - 500.000 USD, with term of 24 months, annual interest rate 16%. Contract of April 14, 2007 - 100.000 USD, with term of 12 months, annual interest rate 16%. Contract of July 23, 2007 - 80.000 USD, with term of 12months, annual interest rate 16%. Contract of October 12, 2007 - 26.000.000 AMD, with term of 12 months, annual interest rate 16%.

On behalf of **«Gin-Shin»** LLC 2 loans:

Contract of May 4, 2007 - 600.000 USD, with term of 12months, annual interest rate 16%.

Contract of January 16, 2008 - 20.000.000 AMD, with term of 4months, annual interest rate 17%.

All above stated loans were used in order to increase the vegetable oil production volumes and sales, as well as to implement other commercial transactions, to import to Armenia appropriate raw materials. The production process was conducted in a planned way. But “BTA bank” provided only 3.000.000 USD loans. The bank couldn’t provide the promised 5 million USD loan arguing with the emergence of internal problems, in particular, the problems incurred for repayment of large-scale loan funds and for non-compliance with the standards set by the Central bank. The Bank’s problems had an enormous impact on their program as they had already purchased a large quantity of raw materials from Moldova and Ukraine that was planned to supply to Armenia and use for the production of vegetable oil. But all this failed, they had to run out and sell their raw materials locally, and this resulted in great losses, and in addition, in a large number of failed transactions and other supplies.

They used to perform duly the credit obligations including payments of principal and accrued interest. Later the companies appeared in the financial crisis and faced problems with performing

the credit obligations. That's why their credits were classified by the bank.

At the end of December, 2008 they were informed officially by the Bank that the companies credit obligations were transferred to «Sar Capital» LLC under the contract of cession and since that all the questions with payments and repayments they had to regulate with that company.

As the initiative for this business program belonged to Atanesyan, therefore after the occurrence of these problems, the directors of companies put on him to find the solution of the credits obligations implementation. They announced that they did not have any possibility for doing that. And on May 20, 2009, he was appointed as a director of "Sapark" LLC by the offer of "Sapark" LLC's current director Andranik Khachatryan.

Pursuant to the final calculation made by Bank, the total amount of "Sapark" LLC's loan obligation was 227.081.034,8 AMD, of "Galuanta" LLC's loan obligation was 221.368.264,1 AMD, of "Likar" LLC's loan obligation was 147.720.377,7 AMD, of "Gin Shin" LLC's loan obligation was 301.329.175,5 AMD and of PE "Anahit Simonyan" loan obligation was 79.618.328,6 AMD, i.e. the total amount was 977.117.185,7 AMD.

Whereas, the further implementation of all these loan obligations should be performed by Atanesyan, he suggested signing the trilateral agreement, between the "Sapark" LLC's director Atanesyan, the directors of other companies and the director of "Sar capital" LLC Levon Khachatryan. The agreement should be on transference of the rights and obligations of the above mentioned 4 companies to «Sapark» LLC. The agreement was stamped and signed by all the concerned parties in the office of "Sar Capital" LLC situated at Sayat-Nova avenue.

Atanesyan sold the some shares of «Kazel» LLC to Surik Hovhannisyan and Tamara Papazyan respectively in the price of 60,800,000 and 729,600,000 AMD. Atanesyan saved the great part of that amount as his personal money.

All these financial resources as well as the borrowed money were transferred to «Sapark» LLC, as the money providing by Atanesyan to the company with a loan. Later, on June 01, 2009 Atanesyan paid the total amount /977.110.000 AMD/ to Levon Khachatryan. Levon Khachatryan submitted the receipts confirming the cash payment as well as the order for removal of the barrage from the pledged property. Atanesyan considered the receipt of payment not sufficient, and together with Khachatryan they prepared a bilateral debt act, which indicated each company's debt and total amount of debt 977.117.185,7 AMD as well as the total repayment of money. The act was signed and stamped by him and Khachatryan.

According to the testimonies of the case witness Avetis Grigoryan/ proprietor of "Ararat Nazaretyan " LLC/, given during the investigation and examined during the trial, that in August, 1999 together with his wife Anahit Avagyan founded ''Ararat Nazaretyan'' LLC. However, only his wife was registered as a founder and proprietor of 100% shares but factual management was exercised by Grigoryan. The company was engaged in public transportation service.

The company participated in the tender and received a correspondent license for exploitation of 104 and 99 transport lines, till today they execute public transportation on the same transport lines.

Moreover, the company exploited the bus transport lines N14 and 38 as well as ''Dama'' taxi service.

In order to properly take part in minibuses transports lines tender, in November,2006 he started improvement of the works such as: renovation of transport of park, improvement of working condition and technical service. In November 2016, Grigoryan presented the business-plan and other considered document to “BTA Bank” CJSC, in order to purchase 42 minibuses, model: ''Gazel 3221''.

As a pledge for the above mentioned credit he offered his following property: the shop situated at address Bagratunyats street number 13, the land situated in Mantashyan 28/registered on their former ''Hayr Najaryan'' LLC's name as well as purchased minibuses.

The bank approved the business-plan and considered sufficient pledged real and movable estate. So, the bank agreed to give 600.000 US dollars credit, which was made within 2 credit contracts.

The first credit in amount of 180.000 US dollars, he received on November 30, 2006 for the term of 36 months and interest annual rate of 20%.

All the money was credited to the accounts department counting of the company and was used according to the credit objective. Namely, in December of 2006 he purchased 12 minibuses, then he participated in the tender and obtained a license. On December 27, 2006 Grigoryan received from ''BTA Bank'' CJSC credit in the amount of 420.000 US dollars, in the term of 36 months and interest annual rate 17 % for purchasing 30 minibuses. As a pledge property the same pledged property of first credit was registered.

In addition to above the mentioned credits, Grigoryan while working process addressed to ''BTA Bank'' CJSC in order to receive 2 credits. The credits were approved by the bank.

In particular, on September 10, 2007 according to the credit contract Grigoryan received 24.880.000 AMD, with term of 36 months, interest annual rate 18%. The credit purpose was purchase of 4 cars, mode ''Reno'' for taxi service, which was executed and properly executed in the accounts department of the company.

On April 10, 2008 Grigoryan received the fourth credit, in the amount of 20.000.000 AMD, with the term of 36 months, interest annual rate 17%, for purchase of 2 ''Mitsubishi pajero'' model cars according to credit contract. All the purchased cars were pledged together with real estate.

Until June, 2008 all the credit obligations were executed properly, while repayment of principal and interest there were not a single day of delay. However, from February to March of 2008, energy carrier's prices were increased. In addition, the government and municipality prohibited to increase prices of passenger fare. Therefore, they started to work with loss.

In general, they occurred in worst situation, because of the use the ''Bogdan'' model buses, as their exploitation and maintenance costs are enormous. A few months they managed with the problems at the expense of own resources. But, as a result of circumstances mentioned above, they had problems with execution of the credits obligations. In particular, they couldn't make monthly payments.

Consequently, the company's credits were occurred in the proper classification. After that, in the end of December, 2008 Grigoryan was invited to Nur Bakbergenov/ executive director of ''BTA Bank'' CJSC/. Bakbergenov informed that the bank conceded the credit obligations of the company /which consisted **43.128.646,50 AMD and 393.575,45 US dollars/** to ''SAR Capital'' LLC, under the cession contract and that from now on all problems should be resolved with the head of the same company.

Until May of 2009, the company hadn't possibility to refer to its credit obligations. However, in the middle of May, Grigoryan received a notification of fulfillment of credit obligations, from Levon Khachatryan /the director of '' SAR Capital'' LLC/. Then he called Khachatryan, then he met him in the office of ''SAR Capital'' LLC, situated at Sayat-Nova avenue. Khachatryan demanded to make a repayment of the total amount; otherwise he would appeal with claim to the court and confiscate all pledged property. During the conversation Armen/ employee of the bank credit department/came to the office, but he didn't interfere in the conversation. Seeing that they could lose the property, Grigoryan promised to organize the repayment of the credits until the end of May. So they started to get the money, they sold their construction equipment in Moscow, and the money of the sold property was partly transferred to Yerevan. So, they collected the required amount.

On June 2 of 2009 Grigoryan went to the office of ''SAR Capital'' LLC and paid personally to Khachatryan the whole debt totaling 182.925.350 AMD in cash, USD balance was counted according to USD and AMD exchange rate of the day of payment. They were alone in the office, Khachatryan after counting the money, put it in the room within the office. However, the receipt of the payment order of cash and the writ of removal of pledged property from barrage, Khachatryan gave him a few days after the payment, but the exact date he does not remember. Khachatryan reasoned that he should prepare the documents mentioned above; he promised to give the documents 1-2 days later. Then Khachatryan gave the receipt of payment order of cash N007. Grigoryan hadn't any communication with Khachatryan after that. The amount of money in order prescribed by the law was credited to the accounts department as an investment. Then, according to the decision of the general meeting, the money was withdrawn in order to pay the credit.

The material proofs/exhibits/ of the case, the documents provided by the creditors, which were signed and stamped by Levon Khachatryan are following:

1. 01.06.2009 the receipt of the payment order of cash N003, Samvel Khachatryan /the director

of ''Gasmen'' LLC paid 275.625.612 AMD to ''SAR Capital'' LLC.

2. 01.06.2009 the receipt of the payment order of cash N001, Artur Matevosyan / the director of '' Artur and Ekaterina'' LLC paid 19.200.000 AMD to ''SAR Capital'' LLC.
3. 02.06.2009 the receipt of the payment order of cash N008, L.Zoryan /the director of ''SAR Capital'' LLC/ paid to 336.500.120 AMD ''SAR Capital'' LLC.
4. 01.06.2009 the receipt of the payment order of cash N001, Zh. Andreasyan/the director of ''New generation consult'' LLC paid 169.830.630 AMD to ''SAR Capital'' LL.
5. 01.06.2009 the receipt of the payment order of cash N004, L. Poghosyan/ the director of '' Lyudvig and son''LLC paid 111.129.840 AMD to ''SAR Capital'' LLC.
6. 03.07.2009 the receipt of the payment order of cash N012, A.Hayrapetyan/ The director of ''ED and Zhak'' LLC paid 22.693.000 AMD to ''SAR Capital'' LLC.
7. 02.06.2009 the receipt of the payment order of cash N007, A. Avagyan /the director of ''Ararat Nazaretyan'' LLC paid 182.925.350 AMD to ''SAR Capital'' LLC.
8. 07.07.2009 the receipt of the payment order of cash N016, D. Pirinyan paid 77.000.000 AMD to ''SAR Capital'' LLC.
9. 02.06.2009 the receipt of the payment order of cash N005, V.Panosyan paid80.130.810 AMD to ''SAR Capital'' LLC.
10. 02.06.2009 the receipt of the payment order of cash N005, S.Darbinyan paid 57.439.340 AMD to ''SAR Capital'' LLC.
11. 01.06.2009 the receipt of the payment order of cash N001, V.Mazmanyan /the director of ''Molinos'' LLC paid 106.946.950 AMD to ''SAR Capital'' LLC.
12. 03.06.2009 the receipt of the payment order of cash N009, A.Nurijanyan /the director of ''50*50'' LLC paid 343.714.487 AMD to ''SAR Capital'' LLC.
13. 07.07.2009 the receipt of the payment order of cash N015, A.Nurijanyan /the director of ''50*50'' LLC paid 18.500.000 AMD to ''SAR Capital'' LLC.
14. 01.06.2009 the receipt of the payment order of cash N001, A.Atanesyan/the director of ''Sapark'' LLC paid 977.110.000 AMD to ''SAR Capital'' LLC.
15. 03.07.2009 the receipt of the payment order of cash N013, R.Hovhannisyan /the director of ''Artagh'' LLC paid 43.778.200 AMD to ''SAR Capital'' LLC.
16. 01.06.2009 the receipt of the payment order of cash N011, A.Guroghlyan /the director of '''Daks Art'' LLC paid 115.680.670 AMD to ''SAR Capital'' LLC.

According to the above situated documents he received and appropriated totaled **2.940.815.961,10**AMD.

Pursuant to 12.10.2009 report of trade revision and attaches files, which substantiated that from 2008 to 2009 according to the cession contract between '' BTA Bank'' CJSC and ''SAR Capital'' LLC, the bank conceded the right of creditor of 29 credits.

In particular, in the price of 11 million 700.000 US dollars /equal to 3. 698.973.049,66 AMD/, ''SAR Capital LLC purchased 29 credits in total value 15 million US dollars /equal to 4.912.242.345,91 AMD/.

The court doesn't pronounce aggravating circumstances.

Examining the question of precautionary measure, the court came to the conclusion that there are grounds and conditions for detention, in case of being free he could avoid to bear the punishment and interfere in the judgment execution, consequently the precautionary measure detention must be unchanged.

Taking into consideration, the marital status of the accused, and the fact of 2 children under his care, the court came to the conclusion that there is no need to give an additional punishment such as confiscation of property.

The General Prosecutor's office submitted a civil claim, with demand for the money/12.022.516 AMD/ confiscation in favor of State budget, as the compensation of damage, which caused to state by the crime.

The representatives of the victim submitted the following civil claim demands: To confiscate from Accused 2.940.815.961 AMD in favor of ''SAR Capital'' LLC, as the stolen amount of money and the price of stolen car ''Nissan Pathfinder''/12.782.826 AMD/.

Examining the civil claims, the court came to conclusion that the claims are grounded and shall be satisfied generally.

Examining the question of disposal of the material proofs, the court came to the conclusion that all the case material proofs and the tax case of ''Krist Khach'' LLC must be left in the criminal case.

Based on the above mentioned and guided by Articles 357-360 of Criminal procedure code of RA, the Court RESOLVED:

To convict guilty Levon Khachatryan by part 3.1of Article 179, part 1 of Article 205 of Criminal code of RA and by part 3.1 sentence to 6 years imprisonment, without confiscation of property. According to part 1 of Article 205 fine 800.000AMD.

According to part 4, Article 66 of Criminal Code of RA, at the result of cumulating the punishments, the final punishment is 6 year imprisonment in appropriate criminal executive institution /Ministry of justice of the RA/, without confiscation of property and 800000 AMD fine.

The punishment begins from July 26, 2009.

Leave detention /the precautionary measure/ unchanged till the judgment will enter into force;

satisfy the civil claims.

A levy was assigned to Levon Khachatryan for:

12,022,516 /twenty-two thousand twelve million five hundred sixteen/ AMD as a compensation for the damage caused by the crime in favor of the state budget.

2.940.815.961 /two billion nine hundred forty two million eight hundred fifteen thousand nine hundred sixty one/ AMD in favor of the "Sar Capital" LLC, as stolen and embezzled money and "Nissan Pathfinder" vehicle value of 12,782,826 /twelve million seven hundred and eighty-two thousand eight hundred and twenty-six/ AMD ... ".

To leave all the materials and proofs submitted to the court as well as the tax case of “KristKhach” LLC attached to criminal case.

The decision can be appealed with the Criminal Court of Appeal of the Republic of Armenia within one month upon its promulgation.

Judge: /signed/ K. Ghazaryan

Translated by certified translator SARGSYAN Marina (Certificate # 10 granted by the RA Ministry of Justice, on May 22, 2002) certifying it as a complete, accurate and true translation of the text.
On December 27, 2016,
I, GHUSHCHYAN Anush, acting in the capacity of Notary of the SHENGAVIT Notary Territory of RA, certify the authenticity of the English language translator's signature. In accordance with the Republic of Armenia Notary Law, article 68, I confirm that the document has been translated by the translator trusted by me, but not the facts stated in the document.
Listed in the register with N ––––––
State duty and the service fee have been paid
according to Laws of the RA On State duties and On the Notary's Office
Notary /signed, sealed/

These documents are supplements to

The Sins of Sargsyan & Co. Visit Pashinyan

Case No: EKD 0173/01/10

Decision

For Republic of Armenia

THE CRIMINAL COURT OF APPEAL

Presiding judge: M. REHANYAN

Judge: A. DANIELYAN

Judge: M.ARGHAMYAN

Secretary: M. Melqonyan

Participants:

Prosecutor: A. Amirzadyan

Defender: U. Khachatryan

Yerevan

Date: 09 November 2010

In a public court hearing reviewed the appeal cases lodged by defender U. Khachatryan and prosecutor A. Amirzadyan against 11.08.2010 judgment of the court of general jurisdiction of Kentron and Nork-Marash administrative districts on Levon Khachatryan accused under Article 179, Part 3,1 and Article 205, Part 1 of the Criminal Code of RA.

ASCERTAINED

1. The juridical prehistory of the case:

In National security service investigative body, on 15 July, 2009, the criminal case N61203509 was instituted by A. Goyunyan /the head of department of cases investigated by National security service of General Prosecutor office/, according to Article 178, part 3.1 and 3.2 of Criminal Code of RA.

On 26.07.2009 Levon Khachatryan apprehended and was arrested on the same day by investigator A. Aghajanyan.

On 29.07.2009 Levon Khachatryan was involved as accused by the decision of investigating body, according to Article 178, part 3.1 and 3.2 and article 190, part 3.1 and 3.2 of Criminal Code of RA.

On 29 July, 2009 investigative body demanded to arrest of L. Khachatryan, the demand was satisfied by the decision made on the same day.

On 23 October, 2009 the materials received from the Tax Service of Armenia were joined to the materials of criminal case N61203509 for joint solution, according to decision of the investigative body.

On 11, June 2010 the accusation of Levon Khachatryan was changed and he was accused according Article 179, point 3.1 and Article 205 part 1.

On 11 June, 2010 Levon Khachatryan was involved as accused according to Article 179, point 3.1 and Article 205 part 1.

On 11 June, 2010, investigative body, made a decision N 61203509 according to which he separate from criminal case «The theft of somebody's property, in significant amount and evasion of taxes in a large amount with a prior agreement by a group of people don't ascertained by investigation » according to the Article 179 part 3.1 and Article 190 part 3.1.. It was submitted for continuing the case investigation. The criminal case N61203509 was send to the Court of General Jurisdiction of Kentron and Nork-Marash Administrative Districts on 28, June, 2010, with indictment.

The court of Kentron and Nork-Marash districts of Yerevan issued a judgment dated 11.08.2010 /case no. ԵԿԴ/0173/01/10/ by which **Levon Khachatryan** was found guilty of crime provided by Article 205 part 1 and Article 179 part 3.1 Criminal Code of RA /embezzlement/, and sentenced to 6 years imprisonment without confiscation of property, as well as 800.000 AMD fine. According to part 4, Article 66 of Criminal Code of RA, at the result of cumulating the punishments, the final punishment is 6 year imprisonment in appropriate criminal executive institution, without confiscation of property and 800000 AMD fine.

The punishment begins from July 26, 2009.

Detention /the precautionary measure/ leave unchanged till the judgment will enter into force; satisfy the civil claims.

A levy was assigned to Levon Khachatryan for:

- 12,022,516 /twenty-two thousand twelve million five hundred sixteen/ AMD as a compensation for the damage caused by the crime in favor of the state budget.

- 2.940.815.961 /two billion nine hundred forty two million eight hundred fifteen thousand nine hundred sixty one/ AMD in favor of the "Sar Capital" LLC, as stolen and embezzled money and "Nissan Pathfinder" vehicle value of 12,782,826 /twelve million seven hundred and eighty-two thousand eight hundred and twenty-six/ AMD ... ".

All the materials and proofs submitted to the court as well as the tax case of "Khrist Khach" LLC leave attached with criminal case.

The defender of detainee U. Khachatryan and prosecutor A. Amirzadyan lodged the appellation claims against 11.08.2010 judgment of the court of general jurisdiction of Kentron and Nork-Marash administrative districts.

2. The facts of the case

The detainee Levon Khachatryan accused under Article 179, part 3.1 and Article 205, part 1 Criminal code of RA.

Levon Khachatryan charged in the following:

On May 8, 2009 Levon Khachatryan, an authorized person of "Septrade Limited" Company in the Republic of Armenia registered in Seychelles Islands, having been appointed a director of "Sar Capital" LLC owned by "Septrade Limited" Company and registered in the Republic of Armenia under the order of Marat Yeltaev, the former advisor on security of general director of "BTA Bank" CJSC, exercising the management of the company during the period between May and July of the year 2009 for the purpose of stealing the loan assets of "Sar Capital" LLC of the debtor's right of "inactive" credit liabilities acquired under the cession contracts in the sum of 4.912.242.345.91 AMD equivalent to 15 million USD subject to repayment, secured by pledges at the cost of 29 million USD, allocated to 29 creditors during the period between 2006 and 2008 by "BTA Bank" CJSC in the sum of 3.698.973.049.66 AMD equivalent to 11.700.00 USD granted by "Septrade Limited" and for receiving cash from the borrower and appropriating thereof for the removal of the pledged property from the ban, having come to an agreement with the individuals yet unidentified by the investigation, demanded from 18 borrowers, legal entities and natural persons and received all in all 2.940.815.961.10 AMD, including prior to the appointment to the post of a director, the sum of 77.000.000 and 18.500.000 AMD accordingly granted to Davit Pirinyan and Director of "50*50 Company Arsen Nurijanyan" as credited by the borrowers to the bank account of "Sar Capital" LLC and under the loan and car sale contracts, as well as the pledged car "Nissan Pathfinder" costing 12.782.826 AMD provided to him by the ex-director. Later he provided the borrowers with cash receipts confirming the payment orders and removed their pledged property from ban and stole the money and the car together with his accomplices.

Besides, from 16 December to the end of April 2016, he was director of ''Khrist Khach'' LL company, which is registered in Shahumyan village of region Armavir and executed retail trade of telephone cards obtained from ''AMQS'' LL company. The period of time mentioned above evaded of taxes at the rate of 12.022.516 AMD.

1. The grounds, facts and the demand of appeal.

The appeal examined in the frame of following grounds. In the appeal the defender Khachatryan mentioned that the court of first instance gave a strict punishment such as imprisonment of 6 years for the crime of Article 179 part 3.1, which violated the requirements of Article 61 of Criminal Code of RA.

The court of general jurisdiction unjustified didn't conclude that it is possible to change L. Khachatryan with the mild punishment of the same article. With the same the Court violated the requirement of Article 63 point 3. The court didn't mention any aggravating circumstance, and also didn't mention why he didn't gave the mild punishment.

Guided by articles 376, 3761, 377-379, 3801, 381 and from all above mentioned demanded to Court of General Jurisdiction of Kentron and Nork-Marash Administrative Districts to revoke the judgment

of 11.08.2010 N ԵԿԴ/0173/01/10, and to modify in partly, to made a judgment according Article 179 part 3.1 and to give a mild punishment. As well as execute the requirements of Article 64 and to give L. Khachatryan mild punishment, than prescribed by law.

Prosecutor Amirzadyan in the appeal mentioned the following: <He found that11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts doesn't grounded concerning the punishments of L. Khachatryan, there was a court mistake. In the judgment there were violation of material rights, the court did not estimate the nature and social danger of the crime, they weren't estimated in combination, as a result the court gave Khachatryan obviously melt punishment.

In regard of punishment, the court's judgment subject to change. Although L. Khachatryan pleaded guilty, but he did not express regret. According to the accusation and judgment Khachatryan committed the crime with others not ascertained yet, but he refused this fact, he do not admit it not while investigation, not while trial. Khachatryan announced that he committed the crime personally, without help and participation of others. Therefore, we could not speak about regret expression. Besides, Khachatryan regretted about the lost money, instead of theft. While investigative body and then court considered grounded the theft of somebody's property.

In such conditions the court Khachatryan punishment such as fine according to Article 203 part 1 of Criminal Code of RA, while Khachatryan gave to state damage in amount of 12.022.516 AMD. Besides, Khachatryan condemned according Article 179 part 3.1 of Criminal Code of RA for theft of 2.940.815.961 AMD and <Nissan Pathfinder> car and he did not repay noting. So speaking about the aims of punishment as the principles of punishment, the court should aim to restore the justice. However, the less strict punishment the court couldn't ensure the aims of punishment, so the court must sentenced the more strict punishment, but in this case the punishment is obviously mild.

Nature of the committed crime gives apprehension about intensions of Khachatryan and his criminological type. The personal characteristic of criminal includes all circumstances such as his treatment to committed crimes, so the court had to take into consideration and exanimate the criminal not as abstract person, who sentenced to criminal punishment, but as a person with personal characters who acted in particular circumstances with particular aims.

In case of considering the facts mentioned above, the court should sentence Khachatryan to justify the punishment, in correspondence with aims of criminal law punishment.

Taking into consideration all mentioned above he demanded to change 11.08.2010 judgment of the Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts. He demanded to change the punishment according to Article 179 part 3.1 and Article 205 part 1 of Criminal Code of RA sentenced in the judgment. He demanded to sentence L. Khachatryan to imprisonment in term of 8 years and confiscation of property in amount of 2.940.815.961 AMD according to Article 179 part 3.1of Criminal Code of RA and to imprisonment in term of 2 years according to Article 205 part 1 of

Criminal Code of RA. Cumulating the punishment according to Article 66 part 4 of Criminal Code of RA sentence to final punishment: imprisonment in term of 10 years and confiscation of the property in amount of 2.940.815.961 AMD.

To leave the rest of the judgment unchanged.

4. The arguments and the conclusion of the Court of Appeal.

Investigating the appeal cases submitted by defender U. Khachatryan and prosecutor A. Amirzadyan, in the frame of above stated grounds, the Court of Appeal decides to leave unchanged 11.08.2010 judgment of the Court of general jurisdiction of Kentron and Nork-Marash administrative districts on Levon Khachatryan as well as to reject the appeal cases (complaints) with following arguments:

The court of appeal notes that according to the article 64.1 of the criminal code of RA if there are exceptional circumstances concerned with the motives of the crime and its purpose, the role of the perpetrator, and his behavior when committing the crime and thereafter, which essentially reduce the extent of danger of the crime for the society, as well as, if a member of the group crime actively assists in solving the crime, a softer punishment can be assigned than the minimal envisaged punishment in the appropriate article of the Special Part of this Code, or a softer type of punishment, than envisaged in that article, or no compulsory supplementary punishment may be applied.

Pursuant to the 2nd part of the same article the individual mitigating circumstances as well as a combination of such circumstances can be considered exceptional.

According to above mentioned, in order to assign a minimal envisaged punishment it needs the exceptional circumstances which essentially reduce the extent of danger of the crime for the society.

The articles 10 and 61 of criminal code of RA defines that the punishment and other legal and penal measures applied to the person who committed an offence must be fair, appropriate to the gravity of the crime, to the circumstances in which it was committed, to the personality of the criminal; they must be necessary and sufficient to correct the criminal and to prevent new offences. The type and degree of punishment is determined by the extent of social danger of the crime and its nature, by the characteristic features of the offender, including circumstances mitigating or aggravating the liability or the punishment.

According to the article 48.2 of Criminal Code of RA the purpose of punishment is applied to restore social justice, to correct the punished person, and to prevent crimes.

The Court of General Jurisdiction while assigning the punishment to Levon Khachatryan was taking into consideration the characteristic of detainee, the fact of his pleading guilty, the positive descriptions of neighbors, the fact that he is young, that he assists on resolving the committed crime, the marital status of the accused, and the fact of 2 children under his care, as well as the court

doesn't pronounce aggravating circumstances and assigned a proportional punishment.

In condition of complaints submitted by defender and claimant, by examining the sentence of Levon Khachatryan, the court of appeal found that the court of general jurisdiction took into consideration the nature and the extent of social danger of the crime, the characteristic of accused as well as the mitigating circumstances of crime and the absence of aggravating circumstances, the court came to the justified conclusion and sentenced Khachatryan according to the part 1 of the article 179.3 and the article 205.1 of the Criminal code of RA.

Besides, in the appeal the defender demanded to take into consideration the characteristics of his client and execute the punishment provided in the article 64 of criminal code of RA. By analyzing the above stated arguments the Court of appeal found that the court of general jurisdiction sentenced Khachatryan to justified punishment and the characteristic and the facts of the case could not considered as the exceptional circumstances for punishment according to the article 64 of criminal code.

In this case, the court of appeal doesn't recognize any exceptional circumstance for sentencing mild type of punishment, than envisaged in the article 179.3, part 1 of criminal code of RA.

The court of appeal considered grounded and legal the punishment assigned to accused Levon Khachatryan by the Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts, thus the arguments mentioned in submitted appeals could not be the ground for rejection the judgment as well as for modifying the punishment.

The criminal court of appeal, guided by Article 92 of RA Constitution, Article 23, 390,393-394.402 of RA Criminal Code, decided to leave unchanged the 11.08.2010 judgment of the Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts, made according to Article 179 part 3.1 and Article 205 part 1 of RA Criminal Code. The Court decided to reject the appeals of U. Khachatryan and clamant Amirzadyan.

This decision could be appealed to the Court of Cassation from the moment of announcement, during a month.

Presiding judge

Judges

True with original

The presiding judge M.Rehanyan

Signatures`

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To International Center for Settlement of Investment Disputes (ICSID)

of World bank /USA, Washington .../

APPLICATION

(about initiating an arbitration proceeding against the Republic of Armenia)

The motive of filing the current application is not implementing the positive responsibilities undertaken by interstate and international legal acts (hereinafter "current Legislation") of Republic of Armenia (hereinafter "RA or Armenia"), in the issue of defending legal rights and interests of foreign investor, Georgy Iosifyan for criminal case associating with investments implemented in Armenia by Iosifyan, conditioned by which no comprehensive and objective investigation is being implemented for Iosifyan's case as well as is separated from the present investigation the criminal group's members and up to day is not implemented any investigation with that part and is being prescribed a mild sentence to one member of thereof group.

Especially, based on state body's unlawful act and in the result of the illegal transactions of the criminal group "Sar Capital" LLC, which was implemented his activity at the expense of Georgy Iosifyan's investment, lost 9.500.000 USD, securities /movable property and real estate/ in the amount of 25.000.000 USD were released. These processes led to complete failure of the investment project. A project, promising at least 20.000.000 USD accrue, from which 8.000.000 USD as profit, within a tenure of 2 years /from December 2008 till December of 2010/, in return of 12.000.000 USD.

1. **Short description of the nature of Iosifyan's case:**

1. In 2008 in the "BTA Bank" closed joint stock Company in Armenia (hereinafter "The Bank") the total amount of "non-performing" loans (5^{th} level of risk) reached nearly 16 million US dollars, and the Bank's authorized capital was US $ 20 million. In such conditions The Bank was not able to guarantee the minimum authorized capital established by the Central Banks which is 5 milliard AMD (16.340.000 USD) and in case of absence of "non-performing" loans <Cleaning> from the bank's balance sheet could revoke the license of the bank by Central Bank.

To overcome this situation, the Bank's management was negotiating with Georgy Iosifyan and

obtained a mutually beneficial agreement according which George Iosifyan in price of 12 million US $ by cession contract gain "non-performing" loans of 29 credit packages 16 million US $, which liquidation price was estimated 29 million US $ secured by collateral.

1. This investment project was financially beneficial deal for George Iosifyan as.

a/ the difference amount of the obtained right by investment was approximately 4,000,000 US $,

b/ furthermore, the 29 loans were granted annual rate of 14%-19% and it provides 200.000 USD monthly income of interest, which ensures for a minimum annual income of 2.400.000 US $. And if we consider that all these loans risky of 5th degree, then, the applicable penalties are inevitably and so annual profits, after implementation of tax liabilities, would consist no less than 2.000.000 US dollars.

c/ Eventually, all loan obligations were secured with liquidation prices of the estimated US $ 29 million collateral, whose market value was not less than 40,000,000 US dollars as in the banks of Armenia the difference the liquidation value of the collateral and their market values is at least 25-30%.

It turns out that, in exchange for the investment 12.000.000 USD, Iosifyan acquired

- The demand right on 16,000,000 US dollars, that is, US $ 4,000,000 net profit + annual profit of US $ 2.000.000, and, at worst,
- Property right for eligible collateral with 40,000,000 US dollars liquidation value, which sale would ensure a minimum US $ 20,000,000 as well as 8.000.000 as profit.

1. Having the aim to implement the arrangements on the above-mentioned program and to save the time on founding the company, the president of Bank's council Noor Barbergenov instructs to his adviser Marat Yeltaev to found "SAR CAPITAL" LLC by the name of bank's driver Mher Galstyan. In 04.12.2008 founded "SAR CAPITAL" LL Company and Mher Galstyan was registered as sole owner and director of company.

1. George Iosifyan, being a shareholder registered in the Republic of Seychelles "Septrade Limited" Investment Company, by order of president of Bank's council Noor Barbergenov, was on 10.12.2008 authorized Marat Yeltaev from "Septrade Limited" company to act on behalf of "Septrade Limited" Investment Company and to buy 100% shares of the company from participant of "SAR CAPITAL" LLC Mher Galstyan, to designate The Bank's experienced employer /Armen Sargsyan/ as director of "SAR CAPITAL" LLC and to implement other necessary actions and the assumption of the Company's management until Georgy Iosifyan

arrival to Armenia.

The above mentioned power of attorney was validity until 16.04.2009.

1. Marat Yeltaev, who act by 10.12.2008 power of attorney, on 17 December, 2008 purchased "Sar Capital" LLC's 100% interest and appointed Armen Sargsyan as a director of the company. Then, in December 2008 Marat Yeltaev dealing with Armen Sargsyan had ensured the transaction of 11.600.000 USD from 12 million USD from “Septrade Limited Investment Company” to “Sar Capital” LLC’s account through which in 23.12.2008 and 27.12.2008 it was being signed the 28 cession contracts. Based on these contracts on 30 December, 2008 a hand-acceptance act was formed, pursuant to which “Sar capital” LLC acquired from Bank 28 loan packages, total value: 4.729.316.995 AMD /$1=AMD 306,73 on the day's exchange rate, about $ 15.418.500) by 3.552.046.421 AMD /$1= 306,73 AMD exchange rate on that day, about $ 11,580,368/ payment.

1. From the beginning "Sar Capital" LLC's bank accounts and the office originally were in the BTA bank, and after appearance of the new director Levon Khachatryan, "Sar Capital" LLC's office moved to another address.

1. **The crime committed against “Sar Capital” LLC**

1. As above stated Georgy Iosifyan was planning to arrive in Armenia after April 2009, in June-July in order to personally take over the management of “Sar Capital” LLC's affairs.

However, in April, 2009, “Sar Capital” LLC director Armen Sargsyan, analyzing the facts, that:

- Based on the assignments of his manager Marat Yeltaev, who was the adviser of chairman of board of the Bank Noor Barbergenov, there were transferred from "Sar Capital" LLC's account 30,800 US dollars and 77 million AMD / about 250,000 US dollars / money to "Arindj Alco" LLC and on behalf of David Pirinyan, as well as the money laundering trasactions as advance payment 18.500.000 AMD /US $ 60,000/ provided with car purchase and sale contract to "50*50" LLC,

- as well as on March 23, 2009 Marat Yeltaev was dismissed from the position of Bank's chairman adviser and left permanently Armenia, and Sar Capital LL company was entirely brought under Mher Avetisyan's control, and de facto belonged to him. He witnessed the beginning of illegal release of pledged property, namely, he witnessed how pledged property was released at insignificant or notable price in cash which was pilfered afterwards.

- Sargsyan was afraid and not willing to take part in criminal activities. Thus he approached Noor Barbergenov requesting resignation from director's position in the early days of May 2009. Then on May 8, 2009 Sargsyan met the new director Levon Khachatryan who gave him the decisions according which Armen Sargsyan resigned from the “Sar capital” LLC’s director's position and Levon Khachatryan was appointed to the position thereof. He doesn’t have any information about Levon Khachatryan appointment. According to the evidences of Armen Sargsyan, he rendered to him all credit cases and documents, as well as the company's founding documents and seal, and Yevgeny Kolomiets’s loan collateral vehicle Nissan Pathfinder. Sargsyan was helping Levon Khachatryan also in different questions related to credits and borrowers. "BTA Bank" CJSC borrower and responsible for "wheat credits" Mher Avetisyan call to him and interested with issues related to borrowers. Avetisyan told that the bank’s founders and authorities had been assigned to him being informed about all that queries. (The Bank, in fact, did not have any jurisdiction over the "Sar Capital" LLC). Sargsyan doesn’t have any other information about the actual intents.

1. Marat Yeltayev's power of attorney for acting on behalf of “Septrade Limited” LLC has expired on 16.04.2009, thus he did not possess the authority to replace the director in “Sar Capital’’.

However, in order to continue their criminal activities, Marat Yeltaev established a false reference issued from 08.05.2008 decision, according which Armen Sargsyan resigned from the director's position, and upon Mher Avetisyan's directions, Levon Khachatryan was appointed to the position thereof.

The abovementioned changes of "Sar Capital "LL Company’s CEO has registered on May 11, 2009 by the Agency for state registry of legal entities of the RA Ministry of Justice.

Using the authority received by the illegitimate registration, in the time frame up to July of 2009, and under direct control of Sar Capital's de facto manager Mher Avetisyan, in the process of "mutual compromises" towards borrowers’ loan securities /movable property and real estate/ worth 25.000.000 USD was released. Especially,

- The finances received from borrowers in the amount of 60.000.000 AMD /over 160.000 USD/ were transferred to “Sar Capital” LLC's account, then in order to embezzle /money laundering/ and further legalize, those transferred to various personal accounts, and accounts of legal entities, then en cashed.
- The following cash receipts which were known as evidence within criminal case, but in reality were false documents /as it was containing information which does not correspond to reality/:

- 01.06.2009 the receipt of the payment provided by 6 creditors to "Sar Capital" LL company on 4.486.062 USD equivalent to 1.659.843.032 AMD,

- 02.06.2009 the receipt of the payment provided by 4 creditors to "Sar Capital" LL company on 1.775.664 USD equivalent to 656.995.620 AMD,

- 03.06.2009 the receipt of the payment provided by 2 creditors to "Sar Capital" LL company on 1.241.609 USD equivalent to 459.395.157 AMD,

- 03.07.2009 the receipt of the payment provided by 2 creditors to "Sar Capital" LL company on 184.642 USD equivalent to 66.471.200 AMD,

- 07.07.2009 the receipt of the payment provided by 2 creditors to "Sar Capital" LL company on 263.812 USD equivalent to 95.500.000 AMD. The above mentioned amount of money, according to the ridiculous evidences of Levon Khachatryan given in the frame of the criminal case, **§he assures that the money was lost on his way from the office to house. Since there is no any concrete evidence of him losing the money, he is unable to prove it.¦**

But the most ridiculous thing is that the Court, in the face of the "mysterious" circumstances seised and examined /it will be state after/ the criminal case no. ԵԿԴ/0173/01/10, Judge Karine Ghazaryan, by the 11.08.2010 judgment of the Republic of Armenia, this ridiculous statement of Levon Khachatryan considered as a confession, and in the judgment the court pronounces thereof confession as the mitigating circumstance of Levon Khachatryan's penalty. **The court records the fact that «as he confessed he assists in the investigation and the revealing of the committed crime.**

1. Consequently, the embezzlement from "Sar Capital" LL company included:

- 2.940.815.961 AMD, which roughly equals to 9.500.000 USD,

- Nissan Pathfinder vehicle, for the price of 12.782.826,

- Securities with total worth of 25.000.000 USD /movable property and real estate/ were released.

1. In July 2009 George Iosifyan arrived in Yerevan for the purpose of conducting an audit in "Sar Capital" LLC, and he found the office of the company empty, the documents and the stamp of the company destroyed by Levon Khachatryan. Mher Avetisyan refused to return the money.

George Iosifyan filed a notice about the crime with the General Prosecutor's office of RA. As a result, **on 15 July, 2009** by A. Goyunyan /the Chief of the Department for Investigation by National Security Agencies of the Prosecutor General's Office/, it has been launched the criminal case number 61203509 by point 1 and 2 of part 1 of the article 178 of the Penal Code of RA /the fraud committed to large-scale and by organized group/, as well as the court of Kentron and Nork-Marash districts of Yerevan issued a judgment dated 11.08.2010 /case no. ԵԿԴ/0173/01/10/ by which **Levon Khachatryan** was found guilty of crime provided by point 1, part 3 of the article 179 of the Penal Code of RA /embezzlement/, and sentenced to 6 years imprisonment.

However, all other participants of the criminal group went away unpunished and unidentified, the damages inflicted to George Iosifyan and "Sar Capital" LLC remained

uncompensated.

1. **Significant violations and protectionism of Iosifyan's case by judiciary bodies**

Criminal case materials prove that the embezzlement of the investment made by Iosifyan was a crime based on the earlier achieved agreements within "Sar Capital" LL company's debtors and the persons with some leverage on the judiciary and investigation bodies. In that previously prepared and committed crime each had its role.

Thus:

1. The criminal role of L. Khachatryan was being appointed illegally as "Sar Capital" LLC director, and pursuant those agreements he would assume sole responsibility for the committed crime, as he would be guaranteed a mild punishment, which proves that, there was a criminal group with influential persons.
2. The fact that the state registration of L. Khachatryan's appointment as "Sar Capital" LLC's director in the Agency of State Register of Legal Entities was illegal, approved by administrative court decision no. ԿԴ/3127/05/13 dated 18.05.2015. The illegality is obvious so much that the state authorized body made no appeal against the court decision.

It turns out that any foreign investment in Republic of Armenia has the risk because, as in "Sar Capital" LLC case, the company's CEO can be changed by the illegal activities of the state body and that director can embezzle company's assets caused by foreign investment only through one or several transactions.

1. **The fact of protectionism**

    1. According to the reached agreements within the debtor-creditors and Mher Avetisyan, the creditors received the receipts confirming the payments and the orders of removal barrage from the pledged property in exchange for discount fees for their credit obligations to "Sar Capital" LLC's.

The debtor-creditors are businessmen and they would not go to such a deal, if there would not have a holder of a guarantee of a real impact on the judicial-investigatory bodies, as they were well aware that in case of revealing the crime, it will be launched the criminal case by the fact of money laundering defined in the article 190 of the Criminal Code and in the result of which they will subjected to the criminal liability as well as in addition to this the amount of paid money by them will

be confiscated.

In this case, Georgy Iosifyan repeatedly mentioned godfather of the Ararat Diocese, Navasard Kchoyan as the influential person who protected Mher Avetisyan. Kchoyan received the gift "Bentley" vehicle from his godson Mher Avetisyan and because of that Kchoyan obtained the nickname "Bentley Samo" (His secular name is Samvel), as well as Kchoyan's close friend **Prime Minister Tigran Sargsyan**. That is the second persons of spiritual and secular power of Armenia who were appointed to their positions by the first persons respectively.

By the way, Archbishop Kchoyan and Tigran Sargsyan who was the Prime Minister of RA in 2008-2014 (currently, the Chairman of Eurasian Economic Commission Board) are also well known by the other case related with another godson of Kchoyan /Ashot Sukiasyan/. On 20.08.2009 it had been launched the fraud case and as a result of thereof fraud, Paylak Hayrapetyan causing property damage of more than 30,000,000 US dollars. This "offshore case" is very famous and has been covered in the news sites during some years. This criminal case number ԵԷԴ/0054/01/15 is still being heard in the court yet.

In the 2 cases with the participation of 2 godsons of Archbishop Navasard Kchoyan which have been launched in 2009 /the first is the criminal case ԵԿԴ/0173/01/10 and the second case is ԵԷԴ/0054/01/15 which was investigated after 7 years/ the defender of Levon Khachatryan and Ashot Sukiasyan is the same person Yu.Khachatryan.

1. The senior investigator for special cases of Investigation Department of National Security Service of RA, Lieutenant Colonel Artur Aghajanian who investigated this criminal case, on 20.12.2010, i.e. a few months after the completion of the investigation of criminal case No. 61203509, was awarded the Military Merit Medal by the Presidential Decree (http://nt.am/am/news/20605/) which is granted for initiative, brave actions conductive to facilitation of the military tasks' fulfillment, for ensuring the combat readiness of troops, for their service in defending the country's borders.
2. The Judge Karine Ghazaryan examined the criminal case no. ԵԿԴ/0173/01/10 and rendered the judgment on 11.08.2010, and in 2011, a year after the first instance thereof judgment, she appointed as Armenia's Court of Appeal judge by Presidential Decree (http://www.president.am/hy/decrees/item/633/).

In the context of this case, it is not difficult to guess the incentives of reward of the investigators and judge made by the President.

1. **Violations of investigation bodies**
    1. The investigation body (National Security Service) didn't implement an investigation. It

was just created an illusion for Georgy Iosifyan on the case investigation and the real facts of the case investigation fulfilled in secret, having the aim to not reveal the real facts of the case and to send to the court only the part of criminal case on Levon Khachatryan, while not carried out the investigation on others.

Moreover, the investigation department of National Security Service of RA subsequently failed to comply with mandatory the instructions of the General Prosecutor. This fact proves by the writ given to G. Iosifyan, where the Head of Investigation Department openly refused from the further investigation of the case.

1. As for the criminal inaction of the investigation department of National Security Service of RA, it is sufficient to mention that the case investigation wasn't done to reveal the fact that over 9.5 million US dollars /2.940.815.961 two billion nine hundred and forty nine million eight hundred fifteen thousand one hundred sixty AMD / actually paid or not by the borrowers, whether the receipts submitted by them are real or false.

As a result of the real investigation in order to check whether the referred circumstances, surely it should be clear that the borrowers with 5th level of risk loan packages which did not have resources in long-term for repay liabilities of credit, couldn't repay their respective credit obligations in the short period of time because they were in a difficult financial situation. By revealing thereof circumstance it would be clear that the embezzlement of the amount approved by investigation, later judicially by L. Khachatryan has not happened for the simple reason, that such amount does not submitted to L. Khachatryan, and therefore it was not such an amount of money in reality.

Mher Avetisyan, who is the organizer of abovementioned crime, not being a company's official employer, and according to his testimony, he was providing advisory assistance to the borrowers in favor of "Sar Capital" LLC and under the guise of this assistance he actually was acting as the director of company in the relationship with the borrowers. Later he got agreements with creditors in order to make partial payments of their credit obligation, reciprocally Khachatryan would give them signed and stamped cash receipt confirming the payment and the order of removal barrage from the pledged property.

In the terms of criminal law, the existence of these components of crime make understandable, why the investigation was conducted in the investigation department of the National Security Service of RA. Pursuant to the Article 190 of the Criminal Code, the criminal acts of money laundering cases are under the jurisdiction of the National Security Service.

The grounds of mentioned facts are presented in Appendix 2.

1. **The violations by the Court**

1. According to the criminal case materials, on 28 June, 2010 the criminal case No. 61203509 with indictment on Levon Khachatryan sent to the court of general jurisdiction of Kentron and Nork-Marash administrative districts.

However, the Court received the case on 02.07.2010. This fact proves that during 4 days the case was not under the possession of investigation body or in the court, so where was the criminal case during that 4 days and which actions were taken.

1. As for the case proceeding in the court of general jurisdiction of Kentron and Nork-Marash administrative districts, it's important to mention that the judge Karine Ghazaryan on 06.07.2010 took this case in the mysterious circumstances. In particular, according to the information on the official website of the judiciary:

3.5.2.1. While the criminal case No. 61203509 with indictment on Levon Khachatryan sent to the court of general jurisdiction of Kentron and Nork-Marash administrative districts, on 02.07.2010 it assigned to the Court of General Jurisdiction of Shengavit district, Judge Karine Ghazaryan who was serving at that time as a judge of another court, 06.07.2010. Karine Ghazaryan considered that case and gave the case number ԵԿԴ/0173/01/10.

This is the first mystery that the case was proceedings by the judge of the Court who was not the judge there, i.e. this fact states about absence of the legal court.

3.5.2.2. The second mystery is that until now according to the information of official website of the judiciary, the accusation of the criminal case number 61203509 has the following content:

«Levon Khachatryan charged in the following:

Being the authorized person "Septrade limited" company in RA, came to the criminal agreement with the unidentified persons, while implementing the company's management, demanded and received from 18 creditors /individuals and legal entities/ overall 2.940.815.961.10 AMD and embezzled it».

It's obvious from this accusation that;

- it is not about Levon Khachatryan, because and the authorized person of "Septrade Limited" LLC was Marat Yeltaev, besides,
- there is an impression that the embezzlement carried out from "Septrade limited" rather than from "Sar Capital" LLC,
- there are unidentified persons who committed this crime having the criminal agreement.

  But there is no investigation is being implemented and Levon Khachatryan's ridiculous evidence taken as a confession, and the court ascertained that he had committed the crime alone.

3.5.2.3. The third mystery is that in the charge of the criminal case number 61203509 for the embezzlement from the company defined by the part 1, article 179 of the Criminal Code (the embezzlement of the entrusted property in the significant amount of money /5000-500.000) neither by the 3rd part of the same article /embezzlement of the large amount of money in excess of 300.000/.

It is ridiculous at the first sight, because 2.940.815.961.10 AMD itself proves that there is the case prescribed in the part 3, article 179 of the the Criminal Code. However, abovementioned facts evidences about other things.

In particular, in Armenia with all criminal cases, especially when it consider to the case of embezzlement and the "disappearance" of such amount, in the judicial-legal system there is an unwritten, but steadily clearly acting accordance on the rules of "cooperation". According to this rules still in the preliminary stage of the case, before the trial starting, it have been determined in advance the sentence, based on the agreements reached with the accused.

In other words, in such cases a trial is a kind of legal show and in the purpose of unobstructed implementation of that show its necessary the choice of respective judge because not the all judges will be cooperate and/or make such order. In this case, the judge has made unprecedented judgment in the period of one month which is a record for Armenia's judicial system.

1. According to the 11.08.2010 judgment /judge K. Ghazaryan/, Levon Khachatryan convicted guilty by part 3.1of Article 179, part 1 of Article 205 of Criminal code of RA and by part 3.1 sentence to 6 years imprisonment, without confiscation of property. According to part 1 of Article 205 fine 800.000AMD. According to part 4, Article 66 of Criminal Code of RA, at the result of cumulating the punishments, the final punishment is 6 year imprisonment in appropriate criminal executive institution /Ministry of justice of the RA/, without confiscation of property and 800000 AMD fine.

That is the investigation has not reveal any real substantial circumstances of the case, including when and how the embezzled money disappeared.

The court, presided by Judge Karine Ghazaryan, based the 11.08.2010 judgment of criminal case no. ԵԿԴ/0173/01/10 on the ridiculous evidence of Levon Khachatryan, according which he didn't embezzle §Sar Capital¦ LLC's amount of money, **§he assures that the money was lost on his way from the office to house. Since there is no any concrete evidence of him losing the money, he is unable to prove it¦.** The court this evidence of Levon Khachatryan considered as a confession, and as the mitigating circumstance of Levon Khachatryan's penalty. The court records the fact that «as he confessed he assists in the investigation and the revealing of the committed crime¦ and on this basis the court determined the lenient sentence.

1. Claimant prosecutor Amirzadyan /representative of state /in the appeal mentioned the

following: §He found that 11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts doesn't grounded concerning the punishments of L. Khachatryan, there was a court mistake. In the judgment there were violation of material rights, the court did not estimate the nature and social danger of the crime, they weren't estimated in combination, as a result the court gave Khachatryan obviously melt punishment.

In regard of punishment, the court's judgment subject to change. Although L. Khachatryan pleaded guilty, but he did not express regret. According to the accusation and judgment Khachatryan committed the crime with others not ascertained yet, but he refused this fact, he do not admit it not while investigation, not while trial. Khachatryan announced that he committed the crime personally, without help and participation of others. Therefore, we could not speak about regret expression. Besides, Khachatryaan regretted about the lost money, instead of theft. While investigative body and then court considered grounded the theft of somebody's property.

In such conditions the court e Khachatryan punishment such as fine according to Article 203 part 1 of Criminal Code of RA, while Khachatryan gave to state damage in amount of 12.022.516 AMD. Besides, Khachatryan condemned according Article 179 part 3.1 of Criminal Code of RA for theft of 2.940.815.961 AMD and §Nissan Pathfinder¦ vehicle and he did not repay noting. So speaking about the aims of punishment as the principles of punishment, the court should aim to restore the justice. However, the less strict punishment the court couldn't ensure the aims of punishment, so the court must sentenced the more strict punishment, but in this case the punishment is obviously mild.

Nature of the committed crime gives apprehension about intensions of Khachatryan and his criminological type. The personal characteristic of criminal includes all circumstances such as his treatment to committed crimes, so the court had to take into consideration and exanimate the criminal not as abstract person, who sentenced to criminal punishment, but as a person with personal characters who acted in particular circumstances with particular aims.

In case of considering the facts mentioned above, the court should sentenced Khachatryan to the justify punishment, in correspondence with aims of criminal law punishment.

Taking into consideration all mentioned above he demanded to change 11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts. He demanded to change the punishment according to Article 179 part 3.1 and Article 205 part 1 of Criminal Code of RA sentenced in the judgment. He demanded to sentence L. Khachatryan to imprisonment in term of 8 years and confiscation of property in amount of 2.940.815.961 AMD according to Article 179 part 3.1of Criminal Code of RA and to imprisonment in term of 2 years according to Article 205 part 1 of Criminal Code of RA. Cumulating the punishment according to Article 66 part 4 of Criminal Code of RA sentence to final punishment: imprisonment in term of 10 years and confiscation of the property in amount of 2.940.815.961 AMD.

However, the Criminal Court of Appeal of RA revealed obvious preconceived treatment, ignored and

did not examine even the appeal of prosecutor who defended the interests of state. The Criminal Court of Appeal of RA did not change 11.08.2010 judgment of Court of General Jurisdiction of Kentron and Nork-Marash Administrative districts.

The Court of Cassation rejected the demand with the same purposes.

1. **Justifications of the current Legislation, that:**

a. Iosifyan is a foreign investor in Armenia,
b. In the issue of protection of rights of foreign investor, Armenia undertook positive responsibilities, in the case of improper implementation of those, the foreign investor shall have the right to file a claim to reimburse inflicted material and moral damages.

1. RA Law on Foreign Investments (hereinafter "the Law") states grounds of implementation, legitimacy economy and organization of foreign investments in the territory of RA, and is aimed to secure the protection of rights, legal interests and property of foreign investors, enrolment of foreign material and financial means. Particularly:

<u>It is stated by the Law article 2:</u>

"The relations concerning foreign investments in RA are regulated by the current law, as well as legislative and other acts of RA and international contracts. If other rules are stated by international contracts signed by Republic of Armenia, than it is contained by the current code, then in corresponding cases, the rules of international contracts are implemented".

<u>By the meaning of the Law article 1:</u>

Any citizen of foreign state that implements an investment in RA, is considered "foreign investor".

"Foreign investment" – any form of property, including financial means …, that is directly invested in spheres of entrepreneurship or other activity implemented in the territory of RA, with the aim to achieve profit (income) or other profitable result.

<u>Pursuant to the Law article 18:</u>

Privileges stated by the Law are spread upon the companies with foreign investments, in which those investments are at least 30% at the moment of being founded.

Thus, by the combination of the Law and the facts of the case, Georgy Iosifyan is a foreign investor in Armenia, by the justification, that in order to get profit in the territory of the Republic of Armenia he invested 12.000.000 USD for implementing entrepreneurship activity whereby "Sar Capital" LLC.

And Georgy Iosifyan is being considered a victim and "Sar Capital" LLC's representative for the criminal case no. 61203509 by the decision of criminal investigator A. Aghajanyan initiated on 11.06.2010.

1. By the adoption of RA Law on foreign investments, RA government highlighted the supporting role of foreign investments in the sphere of economic growth, recognized the importance of foreign investments and the protection of the investor, as well as secured the legal regulation of encouragement of foreign investments, stating several guarantees.

Armenia joined a number of international conventions, signed mutual agreements with thirty-seven countries (about encouragement and mutual protection of investments).

1. On September 23, 1992, in Washington, "an agreement about mutual encouragement and protection of investments" was signed between the Republic of Armenia and the United States of America with is in force up to date. According to that international agreement, which reflects the legal ground confirmed in the sphere of protection of investments between two countries, a highly supportive legal regime is state for investors of Armenia and USA, which means, that Armenia and USA must implement not less supportive legal regimes toward the citizens of each other, than it is implemented toward their own citizens or citizens of third countries.

The international agreement concerning the confiscation of investments and the reimbursement of confiscation states principles of implementation of international right. It secures the right to present investment disputes between the government from one side ant the citizen or the company from the other side to an international court (without the necessity of early applying to local courts), and the investor of each party is granted the freedom to apply to an international court of own choice in case of sharing a dispute with the government.

The agreement prohibits partial treatment toward the investments of the citizens of the other party by the USA and RA governments, and demands honest and impartial treatment toward the investments on the ground of international right.

And by the meaning of the agreement, "investment" means an investment of any kind in the territory of one of the Parties that is owned by the citizens of the other party, or companies, or is under their direct or indirect monitoring, such as shares and investment contracts and includes material and non-material property in it.

By the meaning of the agreement, "a citizen of a party" means a physical person that is a citizen of a Party, according to the current laws of the Party.

"A company of a Party" means any corporation that was founded on the laws and regulations of any of the Parties.

By article 2 point 2 sub-point "a" of the agreement, the parties were obligated to: "The investments

shall be provided by fair and equal regulative order and they will be entirely protected and safe…"

Pursuant to the agreement article 6 point 1 sub-point "c", point 2, point 3 provision a) I):

a dispute concerning the investment is a dispute between one Party and the citizen or the company of the other Party, which arises from or concerns the susceptive violation of any right referred or confirmed with the association of any investment of the agreement. And, if the dispute cannot be solved friendly and six months have passed since the moment of the occurrence of the dispute, then interested citizen or the company can present the dispute, for its solution, to the international center of dispute settlement (Center) concerning investments, confirmed by the convention ("ICSID" convention) implemented in Washington on March 18, 1965, about dispute settlement, with the condition, that that Party is a party of that convention.

In the current case, Armenia joined the "ICSID" convention (Armenia joined on October 16, 1993), as well as the convention of UN "concerning recognition of foreign arbitration verdicts" signed on June 10, 1958 (Armenia joined March 29, 1998).

1. By the Agreement on Trade and Investment signed between the US and Armenian governments on 07.05.2015 and entered into the force on 13.11.2015 was established the Intergovernmental Council in order to promote the investment and the trade between the two countries as well as to reveal the obstacles, to discuss and to solve the above problems. The authorized body in Armenia is the Ministry of economic development and investment.

Still in March 2016 Georgy Iosifyan appealed to the Prime Minister. Iosifyan has received an invitation to the opening of negotiations on his case from the authorized body, then it has been implemented the discussions during 5 months, it were submitted the required documents, after which the Prime Minister assigned by the committee set up by the Ministry of Economic Development and Investment and the Ministry of Justice was discussing the issue, but then, during months they don't submit any proposal, the issue is frozen, which proves that Armenia does not properly fulfill its positive obligations towards foreign investors.

1. RA Constitutional Court by its decision ՍԴՈ-983 dated July 12, 201, amongst other issues announced its position for the issue:

"**whether in the issue of property protection, Armenia has positive obligations, and RA legislation states an effective regulative order appropriate for a guarantee of the opportunity to recover the damage inflicted by the crime to the victims**" and declared:

Pursuant to RA Constitution article 3, the state secures the protection of general rights and freedoms of a person and a citizen in accordance with the principles and norms of international right.

1. The European Court of Human Rights clarifying the circle of the obligations of the state in the sphere of protection of ownership right guaranteed by European Convention declaration 1 article 1, about the protection of rights and fundamental freedoms of a person, developed the idea of positive obligations of the state. The later, particularly is expressed that the real and effective implementation of ownership right not only depends on the obligation of state of not interfering, but also demands certain positive activities of protection, when there is a direct connection between effectively implementing property rights of a person and other activities, which a person can legitimately expect from the authorities **(point 134 of the verdict of Grand Chamber, dated November 30, 2004, for the case Oneryildiz v. Turkey)**.

According to the European court, the positive responsibility of the state in the sphere of protection of ownership right, can, amongst others, include the responsibility of providing reimbursement.

Observing the issue of protection of property rights of persons that were victims of crimes from the point of view of the context of positive responsibilities of the state, in the sphere of the protection of ownership right, the Constitutional Court finds that the principle of property invulnerability not only means that the owner, as the bearer of subjective rights is entitled to demand that others do not violate his ownership right and **it also supposes the responsibility of the state from the illegal violation of the protection of the person's ownership**.

1. Many international legal documents, particularly **the Convention of Battle against transnational organized crime** (entered into force for the Republic of Armenia on September 29, 2003) adopted in the frames of UN, the convention of Warsaw about laundering, investigation, confiscation and embargo, received in a criminal way (entered into legal force for the Republic of Armenia on October 1, 2008), about Battle against financing terrorism, **provision are stated, according to which the property received in a criminal way in the result of the implementation of the crimes stated those is subject to mandatory confiscation.**

Countries that are participant to these international documents, including the Republic of Armenia, undertake the responsibility of initiating such legislative or other activities that will grant an opportunity to secure the confiscation of the property received from the crimes stated by those conventions.

1. At the same time, the mentioned international legal documents form certain legal guarantees to the protection of legal rights of the victims of corresponding crimes. Particularly, pursuant to article 14 of the convention Against Transnational Organized Crime of UN, as well as article 25 of laundering, investigation, confiscation and embargo, received in a criminal way of the convention of Warsaw, participant countries, in a priority order investigate the issue of returning the confiscated property received from the crime to the participant state on the account, that it can provide reimbursement to the victims of the crime, or return such property received from the crimes to its legal owners.

Article 25 of epigram "Help and protection of victims" of UN convention against transnational organized crime, obligates participant countries to state necessary procedures for reimbursing the damage to the victims of the crime and to secure the availability of reimbursement sated by the convention.

The above mentioned analysis witnesses that **RA Criminal Procedure legislation guarantees an opportunity for the victims of recovering the damage inflicted by the crime in the process of confiscation of the property received through criminal way**, and according to the above mentioned legal regulation, secures recovery of the inflicted damage to the victim in a primary order on the account of the confiscated property, including in court order, which directly outbursts from the norms stated in RA Constitution articles 3, 18, 19.

Whereas, for Iosifyan's case, Armenia, represented by law enforcement and court bodies, not only did not implement effective means in the direction of protection of legal rights of Iosifyan and his Company, but by their actions (active activities and inaction) supported and created conditions (the illegal state registration of Levon Khachatryan as director) for the embezzlement of the Companies property and later, for covering up the committed crime.

1. RA Law on Foreign Investments article 9, in such circumstance **grants the investor** with the right to file a claim of material and moral damage reimbursement against Armenia: "Foreign **investors have** the **right of reimbursement** through court order of those material and moral damages, including missed profit, which were inflicted in the result of actions of RA state bodies or their officials contradicting with RA legislation, as well as **in the result of improper implementation of responsibilities** stated by RA legislation by mentioned bodies or their officials toward foreign investor or foreign investment company.

All damages bore by foreign investors, which were inflicted in the result of actions mentioned in the current code articles 8 and 9, are subject to immediate reimbursement by market price or price decided evaluation of independent auditors by currency with which the investment was made, by mutual agreement of the parties – another currency.

For the period from the arousal of the reimbursement right to the moment of its implementation, interests are calculated toward the reimbursement amount, in the amount of the current interests of period deposits in loan market of the Republic of Armenia.

1. Grounded on the above mentioned factual and legal justifications, **for the reimbursement of moral and material damages inflicted to Iosifyan, there is a claim to initiate an arbitration proceeding against the Republic of Armenia. The amount and the calculations of the damages will be additionally presented.**

RA Law on “Foreign Investments”, Decision of RA Constitutional Court ՍԴՈ-983 dated July 12, 2011, Criminal and Criminal Procedure Codes Judgment of Criminal case no. ԵԿԴ 0173//01/10,

Agreement “On mutual encouragement and protection of foreign investments” signed between Republic of Armenia and United States of America, in Washington, dated 23.09.1992, “ICSID” convention (Armenia joined on 16.10.1993),

3 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10,**

11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10,**

18.05.2015 Administrative court case no. **ՎԴ/3127//05/13,**

See the analyzes described in the 1.2 point of the current application

The evidence of the case witness Armen Sargsyan, 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10,**

The evidences of the creditors 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10**

See 30.12.2008 hand-acceptance act

See the evidence of case witness Armen Sargsyan in the 11.08.2010 judgment of criminal case no. **ԵԿԴ 0173/01/10**

See 18.05.2015 Administrative court case no. **ՎԴ/3127//05/13**

See 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173//01/10**

See 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173/01/10**

See 18.05.2015 Administrative court case no. **ՎԴ/3127/05/13**

See 11.08.2010 judgment of Criminal case no. **ԵԿԴ 0173/01/10**

See 11.08.2010 judgment of Criminal case no. ԵԿԴ 0173/01/10, 09.11.2011 decision of the Criminal court of appeal, pursuant which on 11.06.2010 by the decision of the investigative body from the criminal case No. 61203509 was separated the embezzlement and money laundering case of the

large amount of money by Levon Khachatryan and yet unidentified persons with the preliminary agreement /1 point of 3 part of article 179 and 1 point of 3 part of article 190/. The separated case adopted and continued to conduct preliminary proceedings.

See 08.11.2011 and 16.11.2011 writ No. 7-46d -11 of the General Prosecutor's Office

See 19.11.2011 writ No. 8/4623 of the head of the investigation department of National Security Service of RA

See 11.08.2010 judgment of Criminal case no. ԵԿԴ 0173/01/10 and 09.11.2011 decision of the Criminal court of appeal

See 11.08.2010 judgment of Criminal case no. ԵԿԴ 0173/01/10

See http://www.court.am/?l=lo&mode=common_court&id=95 (on 27 February 27, 2009 by the President decree appointed as the judge of the Court of First Instance of Shengavit administrative district, after that, on October 17, 2011 appointed as a judge of the Court of Appeal by the President decree:)

See http://www.datalex.am/?app=AppCaseSearch&page=default&tab=criminal

See http://www.datalex.am/?app=AppCaseSearch&page=default&tab=criminal

See http://www.datalex.am/?app=AppCaseSearch&page=default&tab=criminal

Translated from Armenian into English

Case No: EKD 0173/01/10

Judgment

Republic of Armenia

Yerevan

Date: 11 August 2010

THE COURT OF GENERAL JURISDICTION OF KENTRON AND NORK-MARASH ADMINISTRATIVE DISTRICTS

Presiding judge: K. GHAZARYAN

Secretary: L. Davoyan

Participants:

Claimant: A. Amirzadyan

Defendant: U. Khachatryan

Representative of the victim: G. Iosifyan

A. Iosifyan

In a public court hearing reviewed the criminal based on the lawsuit lodged by

Levon Khachatryan (father's name: Khachik), born on 21.06.1978, in Echmiadzin town, Armenian, citizenship of RA, physically healthy, married,

Worked as Director in ''Krist-Khach'' LLC, ''SAR Capital'' LLC,

No previous conviction,

Registered at 22apt. Vazgen the First str. 41, Echmiadzin,

Lived in: 6 apt. Vazgen First str. 10, Echmiadzin.

Arrested since 26.07.2009

Accused under Article 179, Paragraph 1, Part 3 and Article 205, Part 1 of the Criminal Code of RA.

The head of department of National Security Agency of the General Prosecutor Office of RA instituted a criminal proceeding on July 15, 2008.

Defendant Levon Khachatryan was charged with the following:

On May 8, 2009, by Order of Marat Yeltaev/former security advisor of general director of "BTA Bank" CJSC, attorney of ''Septrade Limited'' company in RA/ Khachatryan was appointed as a director of ''SAR Capital'' LLC/registered in RA belonging to ''Septrade Limited'' company.

With a view to receiving and appropriate cash from the borrowers against the removal from pledge the property under pledge and stealing the credit assets of "Sar-Capital" LLC which acquired the right of debtors of the credit liabilities in the sum of 4.912.242.345.91 AMD, equivalent to about 15 mln USD under the cession contracts which is subject to redemption, as secured by the pledged at the cost of 29 mln USD, and granted to 29 borrowers during 2006-2008 by "BTA Bank" CJSC in the sum of 3.698.973.049,66 AMD, equivalent to 11.700.000 USD provided by "Septrade Limited" LLC, having come to the criminal agreement with yet unknown people, during the period between May and July, 2009 being a director of the company he demanded and received over 2.940.815.961,10AMD from 18 borrowers, including the money which was deposited by borrowers with "SAR Capital" LLC's bank account before he was appointed to the post of Director and 77.000.000 AMD was provided to David Pirinyan and 18.500.000 AMD to "50*50" LLC Director Arsen Nurijanyan and with loan and auto sales contracts as well as "Nissan Pathfinder" brand car cost of 12.782.826 AMD, which was transferred to him by the former director, then he provided borrowers with the receipt of the payment order of cash and removed barrages from their pledged property. All in all he together with the criminals robbed both the money and the car. In addition, from 16 December till the end of April 2016, he was the director of ''Krist Khach'' LLC, which is registered in Shahumyan village of region Armavir and was engaged in retail trade of telephone cards obtained from ''AMKS''LLC. He maliciously evaded paying taxes in the amount f 12.022.516 AMD within the period of time mentioned above.

On July 02, 2010, the criminal case with the indictment was sent to the court.

In the accusation brought against him Khachatryan considered himself completely guilty and confessed that the listed crimes had been made by him and admitted he had not reached any preliminary agreement with anyone and that nobody supported him. On May, 2009, Khachatryan was registered as director of ''SAR Capital'' LLC. He personally demanded and personally received in the credit amounts from all the creditors of the debtor-company under the cession contract in the Company's office, before that he had sent notifications to LLC creditors' addresses in advance. For the amount of money he received in cash Khachatryan gave the creditors written or printed the receipt of the payment order of cash and removed barrages from their pledged property. He was not able to spend the received money. He assures that the money was lost on his way from the office to house. Since there is no any concrete evidence of him losing the money, he is unable to prove it. Khachatryan was the director of ''Khrist- Khach'' LLC, that was founded in December, 2007. During the initial period he did not engage himself in any activity, in 2008 he employed his friend Arsen Khachatryan as the director of the company. Arsen Khachatryan had experience and worked in a shop at Tigran Mets Street.

On December 16, 2008 Khachatryan became the director of the company; he engaged himself in the retail trade of telephone cards and phones. The cards he obtained from "AMKS" LLC situated in Fuchik street, Yerevan, which is the dealer of "Gh-TELECOM" Closed Joint-Stock Company (CJSC), for each card he paid 948 AMD and sold for 952 AMD. When selling the cards, he ignored the value added tax which approximately amounted to 11 AMD for each card that he ought to pay to the State budget. He simply misunderstood and that is why he failed to fulfill his tax obligations. A calculation of the unfulfilled tax liabilities was made in his presence in Echmiadzin territorial tax inspectorate, which he admitted and signed it, but again didn't fulfill his tax obligations because he hadn't had enough money to pay. He had lost money received from the creditors of "SAR Capital" LLC, hence he did not manage to full his tax obligations at their expense.

The Court, having examined relevance, admissibility and sufficiency of the evidences obtained during the criminal proceeding, and as a result of analyses of evidences, with inner conviction, came to the conclusion that the accused Levon Khachatryan's accusations are justified. Besides his confessionary testimonies, the following evidence obtained with regard to the criminal case are also confirmed.

According to the testimonies of the case victim representative, G. Iosifyan, in 2008 in the "BTA Bank" CJSC the total amount of "non-performing" credits reached nearly 16 million US dollars, and the Bank's authorized capital was US $ 20 million, and in such conditions the Bank was not able to guarantee the minimum authorized capital established by the Central Bank which is 5 billion AMD and in case of absence of "non-performing" credits <Cleaning> from the bank's balance Central Bank could revoke the license of the bank. Iosifyan was a shareholder of 'Septrade Limited" company. Investment project helped ''BTA bank Armenia" to overcome this situation, and also it was financially beneficial deal for Iosifyan as according to agreement Iosifyan bought 16 million US dollars assets for an investment of 12 million dollars by cession contract, pledge real price was estimated 29 million US dollars. This investment project was financially beneficial deal. But Iosifyan together with the shareholders of ''Septrade Limited" company did not have information about criminal cooperation of administration of "SAR Capital" and other individuals who are in criminal agreement with him.

On December, 2008 12 million US dollars transaction from "Septrade Limited Investment Company" was transferred to "SAR Capital" LLC's account, later the amount of money was transferred to ''BTA Bank'' CJSC. "SAR Capital" LLC took responsibility for paying off the above credits in the amount of nearly 16 million dollars. The credits were secured by real pledges at the cost of 29 mln USD. On January 12, 2008 "SAR Capital" LLC had 16 million US dollars assets.

'Septrade Limited'' LLC delegated Marat Yeltaev (citizen of Kazakhstan, who was the advisor of president of Council BTA Bank) authorized to establish ''Sar Capital'' LLC and appoint Mher Galstyan as a director of the company who was a driver in BTA Bank. Afterwards, Armen Sargsyan (the head of corporate credit department of BTA Bank) was appointed as director of the company until

08.05.2008. From the beginning of the proceedings, Mher Avetisyan /the ex-client and creditor of BTA bank/ was in contact with Marat Yeltaev and Nur Barbergenov /citizen of Kazakhstan/, /president of banks council/. This cooperation was based on criminal intention of personal enrichment, theft of "SAR Capital" LLC assets and illegal removal of pledged property from barrage. However, when Armen Sargsyan /ex-director of "SAR Capital" LLC/ understood that the company completely was under the control of Mher Avetisyan who started to receive money from creditors and began money laundering. Sargsyan did not inform about that to Barbergenov and refused to take part in the activities mentioned above. Barbergenov appointed Levon Khachatryan as new a director. Khachatryan was in cooperation with Mher Avetisyan and all the functions of company were carried out by him. In the initial period of the time, all documents and the office of "SAR Capital" were situated in BTA bank, but in order to concealed the movement of money and all real proceedings, the company opened an account in <Ardshininvestbank> Bank, and the Company office was also moved the address of the office, the address of which he doesn't remember. From May 8 till the beginning of July the criminal group led by the Mher Avetisyan who exercise management of "Sar-Capital" LLC, removed the property at the total cost of 25 mln USD pledged against the movable and immovable properly thanks to "compromises" of the creditors. But he legalized it in the sum of 60mln AMDbased on the bank accounts of the Company.

They credited the amounts received from the borrowers to the account of "Sar- Capital" company, and then with view to stealing and legalizing it they transferred them to the accounts of different legal and natural entities. Mher Avetisyan personally met with the debtors and suggested them returning the pledges in cash and at considerable discounts. As a consequence, "Sar Capital" LLC sustained damage in the amount of 9 mln USD. By the decision of the general meetings of shareholders of "Septrade Limited" Investment Company dated June 17, 2009, the ownership right of "Sar Capital" LLC in view of 16 mln USD assets was assigned to him by virtue of the general power of attorney. On July 2009 he arrived in Yerevan for the purpose of conducting an audit in "Sar Capital" LLC, but he found out that the Company's office was not occupied, the director Levon Khachatryan hid himself together with all the documents and seal, but Mher Avetisyan refused to return the sums. Afterwards, he reported to RA General Prosecutor's office about the crime and informed that the sum of 2.940.815.961.10 AMD and "Nissan Pathfinder" in the sum of 12.782.826 AMD had been stolen.

According got the testimonies of the victim's representative to the case Aram Iosifyan, on June 2008 he was appointed the deputy executive director of "BTA Bank Armenia" CJSC, and an executive director on August 2008. Nur Bakbergenov was appointed a chairman of the management board. A deputy executive director and his functional responsibilities included organization and control of the functions of law, risks, credit, general and economic sections, as well as work with problematic credits. As a result he met many problematic creditors, conducted explanatory activities directed at fulfillment of liabilities as stipulated by the credit contracts, as a result of which from July 14, 2009 till September 2008 credits in the amount of about 2.0 mln USD were paid off. But since the number

and sum of unreliability credits caused huge problems as to insufficiency of the capital of the bank, which may lead to the violation of the standards at the rate of 5 billion of the minimal statutory capital stipulated for the banks by RA central Bank, the board of directors of “BTA Bank” company took a decision as to cede the right of credit liabilities in the amount of about 15.0 mln USD under the cession contracts based on the unreliability credits in the balance sheet of “BTA Bank Armenia” LLC to another company. Afterwards, as instructed by the executive director of “BTA Bank” Nur Bakbergenov, the latter’s driver Mher Galstyan founded “Sar Capital” LLC so that the given company would in the future acquire the package of unreliable credits of the bank. In the late November 2008, a power of attorney was issued by “Septrade Limited” Investment Company registered in the Seychelles Islands to Marat Yeltaev, a Security Advisor of the executive director, to purchase 100% share of “Sar Capital” LLC, after which Armen Sargsyan, the credit specialist of the bank was appointed a director. In the late December 2008, under the cession contracts “BTA Bank” CJSC conceded the right of credit legalities in the amount of about 15.0 mln USD to “Sar Capital” LLC for which the bank was paid 12.0 mln USD, which was transferred to the account of “Sar Capital” COMPANY. Personally he did not have anything to do with these processes. It was supervised by the bank’s executive director and Marat Yeltaev, under the decision of whom early in ay 2009 Levon Khachatryan was appointed a director. At that time his brother Georgi Iosifyan telephoned him and told that he was granted a general power of attorney by “Septrade Limited” company, per which was authorized to run “Sar Capital” LLC and utilize the latter’s assets at its own discretion. He told his brother that everything was OK and that he could help to return the credits, since during that when fulfilling liabilities in the bank he contacted with the majority of debtor-creditors. At that time, there were no illegal actions in ‘’SAR Capital’’ LLC except an incident, when he learnt from Artak Safaryan/ bank council member/ that ‘’SAR Capital’’ LLC gave a loan of 32 million AMD. He didn’t discuss it with anyone, but from May to early July of 2009 when his brother took over the company there were rumors that ‘’SAR Capital’’ LLC was engaged in some illegal activities related to paying off the credits and removal of pledged property from barrages. A. Iosifyan together with his brother, visited ‘’SAR Capital’’ LLC’s office, where a girl said that she had no relation with that company and she knew only the directors, but didn’t have their phone numbers. Then A. Iosifyan got in touch with Hovsep Mkrtchyan, and took phone numbers of Armen Sargsyan and Levon Khachatryan and called them. Levon Khachatryan promised to come to the office; however, he didn’t come and after a while turned off his mobile phone. While Armen Sargsyan came to the office and declared that he had quit the post of director since May 8, because he felt that the company could be involved in illegal processes. He also declared that ex-creditor of bank Mher Avetisyan is connected with the above mentioned processes in ‘’SAR Capital’’ LLC. Before that, it was also declared by Artak Safaryan. He called Mher Avetisyan and met him in ‘’Liber’’ cafe in Circular park. He was with his friend G. Madoyan and brother G. Iosifyan. They presented power of attorney of G. Iosifyan, which was given by ‘’ Septrade Limited’’ company and offered to give them all documentation and stamp of the company, however M.Avetisyan refused to do these, declaring that the power of attorney means nothing. They had information that nearly all conceded credits were appropriated and the majority of

the pledges were removed from the barrages. Seeing that it is useless to do anything else, Georgi Iosifyan decided to appeal about the crime to the General Prosecutor's Office of RA and reported about stolen 2.940.815.961 AMD and Nissan Pathfinder car, the price of 12.782.826 AMD.

According to the testimonies of the case witness Levon Zoryan / 'Payt Grig' LLC's director, from 2002-2009 he worked at '' Mets Aniv'' and ''Payt Grig'' LLC, whose shareholder was the same person Andranik Gevorgyan, who died on November 13, 2008. At first Zoryan worked as manager of '' Mets Aniv'' LLC, in 2015 he was appointed as a director of the company, he worked until October, 2007, then he had a 6 months brake connected with contradictions with shareholders. However, on April, 2008 he came back to the company and was appointed as the vice president. From July, 2008 to June 23, 2009 he worked as the director of ''Payt Grig'' LLC, then he dismissed from work.

The company, where L. Zoryan worked, received 2 credits from ''BTA Bank'' CJSC. In August and October, 2007, during the mentioned period of the time he was dismissed from work.

The company received the credits for construction of a 9 floor residential building on 1200 square meters land, situated in Verin Antarayin 134/1, Yerevan. However, they had some profitable offers of purchase the 1400 square matter land, from neighbor proprietors of lands. The total amount of credits /319.175.000 AMD/

was spent on buying the land mentioned above, and on land works.

As a result, there were some problems with the Central Bank, since the objective of use of the credits according to contract was the construction of residential building, and not the land purchase.

Servicing of the credits was made properly by company, payment of interest nearly 10.000 US dollars for every month was paid on time, until the end of 2008, the payment of interests was paid to '' BTA Bank" CJSC.

But in the beginning of 2009 they received information that the right of creditor of bank was conceded to '' SAR Capital" LLC and that from now on all the problems should be resolved with the head of the same company. They received that information from ''BTA Bank" CJSC.

At first the director of ''SAR Capital" LLC was Armen Sargsyan, who was the head of credit department of ''BTA Bank" CJSC. Zoryan communicated with Sargsyan, about the credits problems and technical issues.

Then, monthly payments were made to "SAR Capital" LLC.

But in May, Zoryan was informed that Armen Sargsyan had been dismissed from the post of director and Levon Khachatryan was appointed to his position.

He didn't have any communication with Khachatryan. However, monthly payments were made in the same amount: approximately 10.000 US dollars equivalent AMD.

In May, 2009, when Zoryan was on holiday he received a call from Aram Kirakosyan/ accountant of his company/. Kirakosyan told him that the proprietors of company decided to pay off the credits, in order they should go to office of '' SAR Capital" LLC which was situated at Sayat-Nova avenue for payment and formulating of documents. In the office of 'SAR Capital" LLC they met Khachatryan. Kirakosyan repaid the balance of the credits approximately 300.000.000 AMD, as the payments of the last 5 months were considered as repayment of the principal amount of credit.

In the study of the director within the Office, after counting money, Khachatryan told that everything was all right, and then he formed the receipt of the payment order of cash and other documents including the writ of removal of pledged property from barrage to Real Estate Agency. All above mentioned documents Khachatryan gave to Aram Kirakosyan.

According to the testimonies of the case witness Samvel Grigoryan, /vice president of ''Mets Aniv" LLC/, he was the head of Vanadzor

branch of "Mec Aniv" LLC during the period between 2004 and 2008. The founder and president of ''Mets Aniv" LLC and one of the founders and shareholders of ''Payt Grig" LLC was the son of his uncle. On November 13, 2008 Andranik Grigoryan died and Grigoryan's wife Paycar Aleksanyan became the president of the company. Grigoryan moved to Yerevan and was appointed as vice president, in order to organize functional process of the company.

In August and October, 2007, Andranik Grigoryan together with Arshaluys Paytyan another shareholder of ''Payt Grig" LLC received 2 credits from ''BTA Bank" CJSC.

The company received the credits /500.000 US dollars and 500.000 US dollars equivalent AMD/ for construction a nine floor residential building on land, situated ar Verin Antarayin 134/1, Yerevan. In order to receive the credits they gave as a pledge the above mentioned lands, as well as the area of ''Arshand" LLC's petrol station at David Bek Street.

However, neighbor proprietors of the land mentioned above made a profitable offer. They offered to buy nearly 1400 square meters land with an agreeable price. The total amount of credits 319.175.000 AMD was spent on buying the land mentioned above, planning and land works. As a result, there were some problems with the Central Bank, since the objective of use of the credits according to contracts was the construction of residential building, and not the

land purchase. So the Central Bank sent a respective statement to ‘’BTA Bank” CJSC.

Despite this circumstance, ‘’Payt Grig‘’ LLC fulfilled its obligations every month, due to the operation and profit of ‘’Mets Aniv” LLC.

In January, 2009 ‘’Payt Grig” LLC received a formal letter with signature of the executive director of’ ‘’BTA Bank” CJSC, with which they informed that the right of creditor of bank was conceded to “Sar Capital” LLC and that from now on all problems should be resolved with the head of the same company.

Two directors of the company Armen Sargsyan, then Levon Khachatryan/early in May/ visited ‘’Mets Aniv” LLC and demanded to pay off the credits completely, otherwise they would appeal to the court and take the lands by auction. Until June, 2009 they properly fulfilled all the obligations, and they didn’t breach the payment schedule even one day.

As ‘’Sar Capital” LLC demanded to pay off the credits completely, they got money 336.500.120 AMD and gave it to Aram Kirakosyan /accountant of the company/ and Levon Zoryan/ director of the company within the mentioned period of the time/. They paid credit to L. Khachatryan /the director of the ‘’SAR Capital LLC/ in the office of ‘’ SAR Capital” LLC which is situated at Sayat-Nova avenue, and L.Khachatryan gave them a receipt of payment order in

cash.

Arshaluys Paytyan had got a big part of money mentioned above, as money of the credits generally, were used by her and money were credited to the accounting of company, later were withdrawn for the payment of credits.

Repayment of the credit was beneficial in the sense that, they save about 50.000 US dollars, because of the increase of exchange rate AMD and USD. As well as 17-18 million AMD payment of interest was considered by ‘’SAR Capital” LLC as payment of principal amount of the credits, so the balance was reduced.

There were no other profitable terms offered or executed.

According to the testimonies of the case witness Arthur Matevosyan /‘’Artur & Ekaterina” LLC’s director/, in September, 2005 he founded ‘’Artur & Ekaterina” LLC, based on which he ran ‘’7 Nota” Karaoke club, situated at Teryan St. 72.

In April, 2007, A. Matevosyan applied to ‘’ BTA Bank” CJSC to receive 55.000 US dollars credit for renovation of Karaoke club. He pledged his own house. On April 10 of the same year the credit contract was signed between Matevosyan and ‘’BTA Bank” CJSC, for the term of 3 years and with annual interest rate of 20%. Matevosyan received all the money on April 13.

Matevosyan used the credit according to its objective, he renovated club. Until January of 2008, he properly made his credit obligations, but then he had some financial problems as a result he didn't make payments for credit. So in June, 2008, the bank appealed to the court with demand for breach of the contract, confiscation of the amount of money.

According to judgment of August 16, 2008, the claim was satisfied, after that the writ of execution was send the o Judicial Acts Compulsory Enforcement Service and the house was put on auction.

On January 10, 2009 A. Matevosyan received a formal letter with the signature of the executive director of' ''BTA Bank'' CJSC, per which ''BTA Bank'' CJSC informed that the right of the creditor of the bank was transferred to ''SAR Capital'' LLC and that from now on all problems should be resolved with head of the same company.

Matevosyan communicated with Armen Sargsyan /first director of the company/, while signing the credit contract, within mentioned period of the time Sargsyan was the head of the credit department. He wanted to regulate the schedule of payment of the credit with Sargsyan, but he failed, and then didn't want to have any communication with Sargsyan.

After Armen Sargsyan, Levon Khachatryan was appointed as a director of ''SAR Capital'' LLC, with whom Matevosyan met at the

end of May or in early in June, in the office of the company situated at Sayat Nova avenue. He asked to give the schedule of payment, as the price of the house was based on auction, but Khachatryan also refused to help.

Seeing that he could lose the house, he borrowed money from friends and gave the balance of credit, which amounted to 19.200.000 AMD according to the rate of the day.

He paid the money in cash to Khachatryan in the office. There was nobody else.

On the day of payment Khachatryan didn't give him the receipt of payment and explained that the stamp of the office was under the disposition of A. Sargsyan. Khachatryan promised to give him a receipt of payment in a few days. After several days he went to "SAR Capital" LLC's office and received from Khachatryan the receipt of the payment order of cash19.200.000 AMD with "SAR Capital" LLC's round stamp and signed by Khachatryan, as well as the letter addressed to the State Committee of the Real Estate Agencyto remove the barrage from pledged property.

Then he didn't have any communication with that company and its director.

According to the testimonies of the case witness, Aram Kirakosyan / chief accountant of ‘’MetsAniv” and ‘’Payt Grig” LL companies /, since November 1 of 2004 he has been working in ‘’Mets Aniv” and ‘’Payt Grig” LL companies as a chief accountant.

On November 13, 2008, Andranik Grigoryan, who was the founder and president of ‘’Mets Aniv” LLC, died. Arshaluys Paytyan and Andranik Grigoryan were the founders and shareholders of ‘’Payt Grig” LLC. From October, 2008 to June, 2009, Levon Zoryan was the director of ‘’Payt Grig” LLC and, he had worked in ‘’Mets Aniv” LLC for a long time. After the death of Grigoryan all his rights passed on to his wife Paykar Aleksanyan.

Since 2008 Samvel Grigoryan has been holding the office of the vice president of ‘’Mets Aniv” LLC, who was the head of Vanadzor branch of the company.

In August and October of 2007, Andranik Grigoryan together with Arshaluys Paytyan, another shareholder of ‘’Payt Grig” LLC received credit from ‘’BTA Bank” CJSC for 2 times.

The company received the credits /500.000 US dollars and 500.000 US dollars equal to 165.000.000AMD/ for construction of a nine floor residential building on land, situated at Verin Antarayin 134/1, Yerevan. In order to receive the credits they gave as the pledge the above mentioned land as well as the territory of ‘’Arshvand” LLC’s

petrol station located at David Bek Street.

However, the neighbor proprietors of the land mentioned above made a profitable offer. They offered to buy nearly 1300 square meters land with an agreeable price.

Thus, Grigoryan and Paytyan spent a part of the credit on land purchase and land work, and the other part was given to the shareholder as a loan. In particular, in 2008 Arshaluys Paytyan received 261 million AMD, which she repaid it on June 1, 2009. From November to December 2008, Paykar Aleksanyan received 17.609.470 and 48.457.360, which she also repaid on June 1, 2009.

As a result, there were some problems with the Central Bank, since the objective of use of the credits according to the contracts was the construction of the residential building, and not the land purchase. So the Central Bank sent a writ to ‘’BTA Bank” CJSC.

Despite this circumstance, ‘’Payt Grig‘’ LLC fulfilled its obligations every month, which was made on the account of ‘’Mets Aniv” LLC, so 10.000 US dollars equivalent AMD was transferred from the bank account of ‘’Mets Aniv” LLC to the bank account of ‘’Payt Grig” LLC, then the money was transferred to BTA Bank” CJSC.

In January, 2009 ‘’Payt Grig” LLC received a formal letter with signature of executive director of ‘’BTA Bank” CJSC, with which

they informed that the right of the creditor of the bank was conceded to '' SAR Capital" LLC and that from now on all the problems should be resolved with the head of the same company.

At the moment of concession of the rights, the total amount of obligations of the company totals 503.616.41 US dollars and 166.210.000 AMD.

After that, Kirakosyan had a communication with Armen Sargsyan, the director of "SAR Capital" LLC who visited the office. Kirakosyan and Sargsyan were in working relations, when Sargsyan was the employee of the credit department of '' BTA Bank" CJSC.

Kirakosyan received from Sargsyan third minutes of the extraordinary General Board Meeting, assigned by President of the General Meeting Marat Yeltaev/ he didn't know Yertaev/. According to these minutes, the calculation of the interests, penalty and fine were stopped. As until June, 2009, they made all monthly payments, consequently the total amount of payment, which totals 50.000 US dollars considered as a payment of principal of the credit.

Late in May, 2009, Samvel Grigoryan /Vice president of ''Mets Aniv" LLC/ said that ''SAR Capital" LLC demanded to pay off the credit completely, so the company decided to make payments.

Since the shareholders of "Payt Grig" LLC repaid the loan on June,

2009 in the borrowing procedure, the next day by order of Samvel Grigoryan, they paid 336.112.120 AMD which was received after calculation of the loan amount received in dollar according to the exchange rate of dollar and Armenian dram as stipulated by the central bank and reduction of the interest amount at the rate of 50.000 USD. They visited the office of ‘’SAR Capital” LLC together with then director Levon Zoryan and met Khachatryan /new director of ‘’SAR Capital” LLC/. Khachatryan was informed that they wanted to pay credit, but Kirakosyan couldn’t say who had agreed with Khachatryan.

There was nobody else in the office. Kirakosyan gave money to Zoryan, who gave them to Khachatryan, after counting money he gave Zoryan the receipt of payment.

The next few day’s letters were also received from territorial units of the State Committee of the Real Estate Cadastre about the removal of pledge.

According to the testimony of the case witness Lyudvig Poghosyan /founder and director of ‘’Ludvig ev vordi” LLC/, on November 11, 1999 he founded ‘’Ludvig ev Vordi” LLC, which is engaged in transportation service. Having taken part in the tender, the company was awarded with the corresponding license to use transport line N76 and until now it is engaged in transportation of passengers.

In order to represent it properly in the tender, late in 2005, he undertook to renovate the vehicles of the fleet and implementation of works directed at improving the technical maintenance working condition.

In this regard, on November of 2005, the company presented to ‘’BTA Bank’’ CJSC a proper business-plan and other necessary documents, to receive a credit for purchase 40 minibuses, model: ‘’GAZEL 3221’’. As a pledge he offered houses with lands located at Atoyan 165 and Atoyan 167, which were his property, including purchased microbuses. The bank approved the business plan and considered sufficient pledged movable and unmovable property, agreed to provide credit. On December 6, 2005 he received the credit with term of 36 months and interest annual rate of 17%.

The amount of money was credited to the accounts department of the company and on January, 2006 the company purchased the above mentioned 40 microbuses, then the company participated in the tender and received the license. Within mentioned period of the time, the head of credit department named Pasha worked with his credit, who later died and the employee named Armen started to work with the credit, in future he became director of ‘’SAR Capital’’ LLC. During working process, two more times the company requested to get credits.

The second credit 200.000 US dollars, with term of 36 months,

interest annual rate of 19% was granted in April of 2007. The pledge, which was base for receiving first credit, was a pledge for the second credit. He paid a big part of the first credit and the cost of the pledged property increased so it met properly with all requirements.

The purpose of the credit was renovation of the fleet, which was completed properly and respective accounting executions were made.

On February 11, 2008, Poghosyan received third credit which totaled 9.000.000 AMD, with the term of 36 months, 19% of interest annual rate and with the same pledged property.

This credit was also used for the purpose of the company.

Poghosyan properly executed all credit obligations, hadn't got a single day of delay in repayment of interests and credit money. However, in February, 2008, energy carrier prices increased. As a result, there were problems for all the companies engaged in public transportation. Besides the increased prices of energy carrier, the government and municipality prohibited to increase prices of fare. Therefore, they started to work with loss. In the result of those circumstances, they couldn't repay monthly obligations, and appeared in irredeemable classification of credits.

In January, 2009 Poghosyan received a formal letter with signature of executive director of' ''BTA Bank" CJSC, with which they informed that the right of creditor of the bank was conceded to '' SAR Capital" LLC and that from now on the all problems should be resolved with the head of the same company. Attached to this letter he received a cession contract, according to which the credit obligations of the company totaled 163.330,57 US dollars and 84.784.038,80 AMD. Then Poghosyan communicated with Armen /employee of credit department, ''BTA Bank" CJSC, he doesn't know the Armen's last name. Armen confirmed the information contained in the letter and told Poghosyan that he is a director of '' SAR Capital" LLC, offered him to make payments in order to pay off the credits.

In the middle of the same month, he borrowed money from friends and the total amount of money totaled 15 million AMD, Poghosyan transferred to ''SAR Capital" LLC's bank account, in the head office of the ''BTA Bank" CJSC.

Then, payments were made to the same bank account or were paid to Armen who after that transferred money to the bank account. In particular, on February 25 of 2009 4.000.000 and 2.400.000 AMD were paid; on March 31, 2009 6.300.00 AMD and on May 8, 2009 6.300.000 AMD were paid with help of employee of the company Levon Devishyan. All these payments were made with personal

means and property, as well as with borrowed money from friends and familiars.

Before credit had taken, Poghosyan as well as company had a lot of money. During 2007, he gave a loan of 200.000 US dollars to his friend Arayik Avchyan/ citizen of French Republic/.

Avchyan repaid the loan according to the Central bank USD and AMD exchange rate, on June 1 of 2009. The amount of money mentioned above was listed in the company register.

Before taking the credit Poghosyan invested 100.000 US dollars in business of his friend Artur, who lives and works in Moscow and whose surname he couldn't remember, At first he had some profit, then situation changed and all started to go wrong, the crisis deepened this situation. So he asked his friend to return the money that he had invested. His friend part by part found all the money and sent it from Moscow to Yerevan through friends and familiars.

When Poghosyan started to receive the money from Moscow, he telephoned Armen to agree about payment. But Armen informed Poghosyan that he wasn't director of the company and Khachatryan was appointed as new director with whom he should regulate the question.

At the end of May of 2009, Poghosyan visited the office of ''SAR

Capital" LLC and met Khachatryan /the director of the company/, he demanded to repay the credit and offered to repay it in cash.

As soon as they received all money /111.129.840 AMD/, on June, 2009, Poghosyan and Levon Dervishyan visited the office of ''SAR Capital" LLC and repaid the amount of money of credit in cash. After counting the money, Khachatryan gave them receipt of payment order of cash N.004, assigned by him and approved by the company's stamp. Afte4rwards, he did not have any contact with him.

According to the testimonies of the case witness "Ludvig ev Vordi" LLC's engineer that in 2003 he got employed at "Ludvig ev Vordi" LLC as an engineer and has been working there till today. The sphere of activity of "Ludvig ev Vordi" LLC is public transportation and appropriate conditions are created for its accomplishment and according to the competition rules of the law for which the Company got activity license for the exploitation of 76 minibuses and number 1 and 17 bus lines. For the purposes of the exploitation of minibuses routline, for proper presence at the competition at 2005 the founding director Ludvig Petrosyan took a large loan from "BTA" bank and purchased 40 minibuses of "Gazel" make, after which at the beginning of 2006 had participated in the tender and won thanks to the created good conditions and updated the car fleet. After that from 2007 to 2008 the director took other loans in order to repair the territory of the car fleet and to improve the conditions of technical service, which was done. Before March of 2008 the Company had fulfilled its obligations properly by paying monthly for the loans and the percentages without any delay but because of the sharp increase in prices of energy carriers the Company appeared in a difficult financial situation, as from one side more amount of money is paid for gas and oil and from the other side the Government did not allow the increase of the passenger fares and because of that the Company began to work with loss. And because of these circumstances the Company could not fulfill its loan obligations and for which the bank imposed penalties. In 2009 he learned from the director that the bank transferred the credit obligations to "Sar Capital" LLC, after which due to Ludvig Petrosyan's instructions at "BTA" bank he paid into "Sar Capital" bank account or to "Sar Capital" directors Armen and Levon, whose surnames he did not remember. Particularly, on 25 February, 2009 due to director's instructions at "BTA" bank he paid 4.000.000 and 2.400.000 amount

of money into "Sar Capital" bank account, on March 31 he paid 6.300.000 AMD to the mentioned company's ex-director Armen at their office located at Sayat Nova street, for which he got appropriate documents concerning payment and presented to the accounts department. Last time "Sar Capital" was paid by him on June 1, 2009 when Ludvig Petrosyan informed that he decided to pay off all the loans and suggested going to the office of "Sar Capital" LLC in order to make the payment as the amount of payment was large and he did not want to go alone. Before that Armen had informed him that the director of the company had been changed and the director became a person named Levon. On the mentioned day they went to the office of "Sar Capital" LLC located at Sayat Nova street, where they met the new director Levon and paid him all the remaining amount of money totaling 111.129.840 dram, after that Levon counted the money on the spot but said that he did not have the stamp at that time and asked him to come along some time later. He handed Ludvig Petrosyan the receipt of the payment order of cash and the writ of removal of mortgaged property from barrage the next day or two days later, he did not remember.

According to the testimonies of the case witness "ED and Jak" LLC's deputy director Arman Hayrapetyan that he is the deputy director of "ED and Jak" LLC, which was established on January 1, 2004, but he is de facto owner of it and all the questions are regulated by him. The circumstance of registering it under the name of Gagik Hovhannisyan, as during the registration of the company he was a Russian citizen and became an Armenian citizen in 2005. The company was engaged in producing margarine and butter and for the reason of expanding the volume of it, on November 2006 he applied to "BTA" bank with a program for 250.000 USD loan by mortgaging the restaurant owned by him and located near David Bek street. The bank did not reject him and with two loan contracts gave the money to him. The first contract was signed on November 28, 2006 about lending 200.000 USD, the second one on 26 December, 2006 about lending 50.000 USD.

With the mentioned amount of money he expanded the volume of production and as a result of it the company could participate in the tenders organized by the Ministry of Defense and succeeded in winning it and fulfilling his contract supply obligations. But at that time USD exchange rate was 500 AMD, but a little time later the exchange rate became 300 AMD and because of it he appeared in a difficult financial situation, as from one side he had to fulfill the supply obligations with regard to the price and volume of the contract with the Ministry of Defense and from the other side the production and supply of the item were done with losses for him. For that reason he could not fulfill his obligations and as a result of it "BTA" bank on March/April 2008 filed a civil lawsuit against them with the claim for confiscation of 216.273,66 USD (debt) and 1.325.366,2 AMD (state fee). The claim was satisfied. After which the compulsory proceedings were instituted at the Judicial Acts Compulsory Enforcement Service and a timetable for 3 months was fixed for the payment of the money. Besides this amount money, unpaid penalties were also counted for the credit obligations, which amounted 63.035,19 USD. As a result of stabilization of the financial situation, the production sphere stabilized and he was able to pay all the contract fees as well as the state fee having only the debt in the amount of 63.035,19 USD, about which on 10 January, 2009 he received a notice with the

signature of N. Bakbergenov the executive director of the "BTA" bank CJSC that the bank had given the right of obligations to the "Sar Capital" on the basis of the cession contract and the regulation of the question of paying off the debts was to be done with "Sar Capital". After that till the end of June he could not regulate the question of paying off the debts, though Armen and Levon the directors of "Sar Capital" called him and demanded him to pay off the debts, otherwise they would file a lawsuit against him. He knew Armen from "BTA" bank when he worked there as the head of the department of loans. He was obliged to pay off the debts at the end of June saying that he was in a difficult financial situation because of paying off previous other obligations. They only contacted by telephone, they did not meet, but he knew that the office of "Sar Capital" was located at Sayat Nova street near the shops of electronics. Only on 3 July he managed to procure the necessary amount of money, which exchange rate on that date was 22.693.000 AMD. He went to the above mentioned office of "Sar Capital" and met director Levon, whom he had never met before and only knew about him from the words of Armen. He paid him in cash, which counted it and accepted it, but did not give any documents to him saying that the stamp was not there and he had to prepare a special writ in order to send to the Real Estate Committee of the territorial subdivision to free the mortgaged property. After that he went to the office again and Levon gave him the receipt of the payment order of cash and as well as the above mentioned writ. After that he had never contacted with any person of that company and Levon and he did not have any problems.

According to the testimonies of the case witness "Artagh" LLC's director Rostom Hovhannisyan the company was established in 1998, which operated till November, 2008 as the sphere of activity of the company was the operation of pawnshop, which is a licensed activity, so when he lost the license and it was senseless to continue the activity, that is the reason why he announced the cessation of activity. At first the director of the company was Nunik Kobalyan but after March, 2008 he was the director of the company. In order to provide the normal operation of the pawnshop, he needed a large amount of financial means and that's why he applied to the Kazakh "BTA" bank offering Nunik Kobalyan's, his wife Alvard Hovhannisyan and his apartments and territories as collaterals. The bank did not reject their request and gave them a loan in the amount of 67.000.000 dram according to 27.08.2007 contract, which was fully secured with the above mentioned property. The money was managed according to its aim, for the expansion of the volume of the business, but after that some problems arose as he worked according to the previous legislation and was not aware about the amendments of the legislation and because of it there were some discrepancies and violations of law during their operation, and that's why the pawnshop lost the license due to the decision of the Central Bank of Armenia and stopped the operation and because of this circumstance additional problems arose connected to the receiving of the assets and as well as about the general financial situation. But the main problem is that after that the Central Bank sent to the "BTA" bank a proper statement and the loan was classified as a disputable loan and as a result of it appeared in the list of loans which were given to "Sar Capital" by the right of cession. He got informed about it by the notice sent by "BTA" bank on 08.01.2009. After that he learned that the

director of that company was ex head of the department of loans Armen, whose surname he did not remember, and during the meeting with Armen who informed him that he should pay monthly into the bank account of the "Sar Capital" in the same bank. All these circumstances made him trust the company and some months without any doubts he paid off the debts into the company's bank account. After that on May, 2009 Armen informed him that the director of the company had changed and the new director was Levon Khachatryan, whom he did not know. On May 15, 2009 he received a notice from Levon Khachatryan with the claim to pay off all the remnant amount of money 43.778.200 dram with the warning that otherwise he would file a lawsuit against him. Learning that he, his wife and Nunik Kobalyan could lose their property, he started to procure money and asked his friends and relatives to lend him some amount of money and as a result of it he managed to collect the needed amount of money and called Levon Khachatryan and they agreed on the meeting day. On July 3, 2009 he went to the company's office, which was located at Sayat Nova street near the electronics shop, where he paid off all the amount of money in cash. In his presence Levon Khachatryan counted the money and printed the receipt of the payment order of cash about getting 43.778.200 dram, signed it and stamped it and gave him the statement that he had already prepared which was addressed to the Real Estate Committee of the territorial subdivision to free the mortgaged property and after that he left and had never contacted with him. He presented the statement to the Committee and removed the mortgaged property.

According to the testimonies of the witness "50*50" LLC's director Arsen Nurijanyan that in 2004 he was the shareholder and director of "50*50" LLC. The sphere of activity of the company was the production of toilet papers and egg boxes, which he runs at 3, Arin Berd, Lane 5/1, Yerevan. In 2006 in order to expand the production volume and obtain new production lines, he decided to take a large amount of loan, for which he applied to Kazakh "BTA" bank in Armenia. With the intervention of his friends living in Tashkent, on April, 2006 he got acquainted with the president (at that time) of the "BTA" bank Rasul Kasanov and discussed the business plan, Rasul Kasanov approved it, but with the condition that the loan would be secured. After that he presented all the necessary documents to the bank and pledged at first the company's building, territory, main assets, his own house and after that in order to secure other loans he also pledged the apartments of his relatives Alla Zakaryan, Karine Soghoyan, which are located in 29, Nalbandyan str., apt. 48 and 2a, Mashtots av., app. 4. On June 26, 2006 he got the first loan of 250.000 USD according to the contract, for 36 months, 18 % interest rate, on 23.11.2006 he got the second loan of 180.000 USD, for 36 months, 19 % interest rate, on 22.02.2007 third loan of 25.000 USD, for 36 months, 19 % of interest rate, the forth one on 24.05.2007 of 200.000 USD, for 36 months, 18 % of interest rate, the fifth one on 24.08.2007 of 650.000 USD, for 60 months, 16 % of interest rate and sixth loan on 15.02.2008 of 20.000.000 AMD, for 36 months, 18 % of interest rate. All these loans were used for expansion of the production volume, new production lines: for obtaining of the production of 2 toilet papers and 1 egg box, and obtention of raw materials and other necessary things. After that the production had large volumes,

and had large orders. Seeing that the volume of production was widening at the beginning of 2008 he decided to buy a production line for the production of egg boxes by "Lada-M" operating in Moscow, which cost 550.000 USD including the fees for shipping. For this purpose he applied to Rasul Kasanov, who approved the transaction and gave him the loan. On that basis he signed a contract with the representative in RA of the above mentioned company, who was obliged to pay off partly the whole amount of money till May, 2008 and on February on the same year he got the initial tranche of the whole loan 20.000.000 dram from the same bank, he paid it to the Russian company. But during that time some problems arose between the bank and the Central Bank connected to the large amount of not working loans and bank's credit packages and as a result of it the bank could not lend money for the transaction and by this he got into a deadlock. As he had already had obligations arising from the contract signed with the Russian company and he had already paid advance fee 20.000.000 dram and it led to huge debts and only after 2008 he managed to pay off the debts and used the production line. And because of these problems he had problems with paying off the debts to the bank as all the financial means were addressed to the production line. For this reason he met and discussed the problem with the new management: General Manager Nur Bakbergenov and with his adviser Marat Yeltaev, who promised to help by lending a new loan, but they did not lend him any. Though during their meetings he established good business relations with Marat Yeltaev, who had a huge role (according to him) in the activity of the bank and as well as he was the authorized person of the founders "Sar Capital" established at the end of 2008 and he was de facto manager of the company. At the same time he received a notice from the bank about the cession of the obligations, which was in the amount of 21.260.002,60 AMD and 1.045.436-66 USD. Besides when Marat Yeltaev learned that because of the difficult financial situation he sold his "BMW X5" car produced in 2007 at price 25 million AMD at the end of February, he decided to buy it but offered to pay the money partially by transferring the money into his company's ban account from the money transferred into the bank account of "Sar Capital" LLC. He agreed with him, as the offer was acceptable to him, after which on 2 March, 2009 he signed a purchase and sale agreement on the above mentioned car with Armen Sargsyan director of "Sar Capital" LLC. He knew Armen Sargsyan from "BTA" bank when he worked at the department of loans. Though Armen Sargsyan was the director of "Sar Capital" LLC but he did not have any authorization to make decisions, as those decisions were made only by Marat Yeltaev, which he got sure by signing of the purchase and sale agreement on the car and even the stamp of the company was held by Marat Yeltaev and the last one personally stamped the contract. By this contract he got partially the money: generally 18.500.000 AMD, which he used for the reduction of the loan obligations but at the end of March Marat Yeltaev informed that he had to go to Kazakhstan promising to return soon and solve problems connected to the payment and the registration of the car under his name. But having no news for a long time, at the beginning of May, 2009 asked Armen Sargsyan about him, but the last one said that Marat Yeltaev would never come back and he was dismissed from the post of director and introducing him to the new director Levon Khachatryan. Armen said that the transaction of the purchase and sale of the car could not be accomplished and he had to return the advance fee

18.500.000 dram. The new director Levon Khachatryan demanded him to pay off all the debts in a short period of time, which amount was 343.714.487 dram at the exchange rate at that day. The exchange rate was decided with the bank during the conclusion of the contract and the amount of money had already been fixed on December 27, 2008. Levon Khachatryan informed him that if he paid off the debts in a short period of time that he would not count the penalties from the day of the conclusion of the contract of cession from December 23, 2008 till May, 2009. Otherwise he would file a civil lawsuit and would claim the confiscation of all the amount of money. Learning that he could lose his and the company's property and as well as his relatives' properties, he started to procure money and asked his friends and relatives from abroad to lend him some amount of money and as a result of it he managed to collect the needed amount of money and as demanded Levon Khachatryan they met at the office of the company which was located at Sayat Nova street and on June 3, 2009 he paid off 343.714.487 dram to Levon Khachatryan and for which the last one gave him the receipt of the payment order of cash and the writ of removal of mortgaged property from barrage. At that time there was nobody at the office. And what about the returning of the money paid for the purchase and sale of the car, it was done the same way. On July 7, 2009 by paying to Levon Khachatryan, who counted the money and printed the receipt of the payment order of cash about getting 18.500.000 dram, signed it and stamped it. After that they had never met.

According to the testimonies of the case witnesses Tigran Mazmanyan /"Molinos" LLC's CEO/, in 2007 he founded 2 companies, "Sonimol" LLC on behalf of his name and "Molinos" LLC on behalf of his brother's name. In the mentioned of time period, Mher Avetisyan was wheat importer and he met Mher Avetisyan while transactions related to the purchase of wheat for his mill. He decided to cooperate with him within the framework of doing business in that field as he also was involved in that business.

A contract was signed between "Molinos" LLC and "Nor Tun" LLC's CEO Vardan Avetisyan who is the father of Mher. By this contract "Nor Tun" LLC was obliged to supply 3,800 tons of wheat and "Molinos" LLC was obliged to purchase and transfer appropriate amount to the bank account of "Nor Tun" LLC.

In May 2007 they applied to "BTA bank" CJSC and submitted the contracts and business plan, in order to pay already existing credits as well as to involve other huge credits for implementation of that contract. After examining the business opportunity and the results, and considering it authentic, the bank gave them 3 credits: On May 25, 2007-over 105 million AMD, on June 1, 2007 over 297.000 USD dollars and on July 19, 2007 over 900.000 US dollars. For obtaining the first and the second credits they had pledged the mill building, all accommodations, the pasta production line, all the apartments situated in Etchmiadzin, and matter regarding the mortgage property for the "wheat" credit was regulated by Mher Avetisyan who pledged the great part of imported wheat. The first 2 credits used for payment the rest amount of existing old credit and a little part used for enlargement

of the business and production opportunities. The 900000 USD credit had been transferred to "Nor Tun" LLC's bank account serving by BTA bank in order to purchase the wheat and supply it to them.

But after that deal, the cooperation did not continue, the supply obligation prescribed by the contract was not fulfilled, because of difficult period due to world economic crisis, the abrupt rise in the international wheat prices, with irregular and illogical changes in the internal market in the result of which Mher Avetisyan failed to fulfill contractual obligations.

Besides all these they were continuing to perform duly «Molinos» LLC's credit obligations including payment of principal and accrued interest till March 2009, while understanding the importance of maintenance the credit rating of company, and they didn't have any expired day. But after all the above stated facts in January 2009, they received a notice from BTA bank informing that «Molinos» LLC's credit obligations in the amount of 106.946.950 AMD were transferred to «Sar capital» LLC by contract of cession.

Till March 2009 they were transferring the monthly amount of credit obligation to «Molinos» LLC's bank account, after which it had been transferred to «Sar capital» LLC's account.

In initial period of time the loan securities /real estate of the mill and accommodations/ were released as prescribed by law. In March 2009 the present CEO of «Sar capital» LLC Armen Sargsyan, whom he met in the loan department of the bank during his loan performing process, the head of loan department Pasha and one unknown person, who were examining the production opportunities, came to the territory of the mill and Armen Sargsyan declared that the credits of «Molinos» LLC were classified that's why they were assigned to «Sar capital» LLC by cession contract.

Mher Avetisyan also made loan payments rewarding his outstanding liabilities, but yet still he owes over 70.000-80.000 US dollar. In May 2009 they received a notice from «Sar capital» LLC's new CEO Levon Khachatryan, demanding to pay the whole credit obligation. Afterwards they were trying to find money for that purpose by mobilization personnel money as well as «Sonimol» LLC's profit, and also the part of credit received on March 10, 2009 from the Armenian Development Bank on behalf of the company.

During May 2009, he had visited twice «Sar capital» LLC's office situated at Sayat-Nova avenue, where he had met Levon Khachatryan and had an agreement with him regarding the payments terms. Then he collected the abovementioned amount over 106.946.950 AMD, had a call and took an appointment with Levon Khachatryan in the office and on 1 June 2009 gave him in cash the whole requested amount and received cash receipts confirming the payment and the order for removal of the barrage from pledged property. In that period there wasn't any other person in the office. After that deal he didn't meet the director.

According to the testimonies of the case witness Mher Avetisyan, during 2006-2007 he was the wholesale importer of wheat, as well as purchaser in the territory of RA and due to that business he

needed money. He made a mutually beneficial cooperation offer to the directors of "Makarella", "Meneva", "Safari Line Group", "Vik Vah" and "M & T agro" companies in order to get a new loan as in that period of time "Nor &M" LLC founded on behalf of his name and founded "Nor Tun" LLC on behalf of his father's name already had large loans and pursuant to the charter of "BTA bank" CJSC one company was able to get the loan not more then 15-20 percent of company's authorized capital; in this case not more than 2mln USD. His part of cooperation was to import to RA the huge quantity of wheat which will manufacture in his flour mill as well as in elevators of listed companies by using their production facilities. In exchange for which they will get money. It was the reason why he applied to the directors of the above mentioned companies for getting a loan on behalf of their name and uses that loan with an aim of wheat import. The loan finances received from the bank were sent to "Nor Tun" LLC's account, then when exchanged, he transferred the same to various companies' accounts. Those companies were wheat supply companies situated in the Russian Federation, in Ukraine, in Argentina, in the United Kingdom and in Georgia which already launched the supply process. Besides, a certain amount of that loan was spent on tax liabilities of these transactions deals, as well as on transport costs. Some money was allocated for the execution of its previous credit obligations.

The whole amount was spent for wheat business, but due to world economic crisis, overgrowth of international wheat price and the decrease of prices on the internal market by reason of monopolistic practices, had led to the fact that that one ton of wheat cost him 635 US dollars, and was sold for about 320-370 US dollars, which resulted in a great loss. That was the reason that he failed to fulfill the obligations before the cooperating companies, but also to repay bank liabilities. For the purpose of getting of that difficult finance situation he immediately sold the imported wheat including the quantity of wheat pledged to secure these loans. He realized that deal in accordance with the bank authorities, especially with Rasul Kasanov. He had paid a part of loan obligation and was obligated to fulfill the rest on his own. He informed all the directors of the cooperating companies about that decision and deal.

Due to this existing situation, at request of the companies' managers he purchased the companies under the name of his acquaintances without any principal assets in order to regulate all loan issues on his own and not to disturb them with this issue. During the two meetings a verbal agreement on "wheat loans" repayment was acquired with "BTA Bank Kazakhstan" CJSC's former senior shareholder Mukhtar Ablyazov, but no written document was executed.

Considering the fact of his relation with the "Sar Capital" LLC's activities, he witnessed that he didn't meet the company's CEO Levon Khachatryan before, he supported him somehow, because Mukhtar Ablyazov who had very friendly attitude towards him just asked for that and he was feeling obliged to do that. He just gave him some advice how to demand the money from borrowers; he didn't have any financial problem with him. He never demanded the money from anyone, he didn't have any relation with this, otherwise he could ensure the payment of wheat loan duties which are now

acquired by «Sar Capital" LLC at least even with false contracts, which did not occur, such credit liabilities actually remained in the same status, as were available with the bank, although at request of Levon Khachatryan, he did not repay them since he had a verbal agreement with Mukhtar Ablyazov.

According to the testimonies of the case witness David Pirinyan. In February, 2009 he rent a commercial area located at Sayat-Nova 22, Yerevan, for purpose of carrying out pawnshop activities. That belonged before to his friend Armen as a shoe shop who was selling and taking the shoe orders. In the initial period he used to visit very often his friend's shop and he had met there one of the shop's regular client, who was the deputy director of the Kazakh "BTA Bank" in Armenia, Marat Yeltaev. He used to order shoes in the Armen's shoe shop and very frequently they had conversations. Marat Yeltaev used to visit again the shoe shop after the time when his friend left for Russia and he rented that shop and he had a conversation with me about further usage of that area and he told him that he intended to open a pawnshop, but he required a sum of 200-300 thousand US dollars. Marat Yeltaev promised to help him for getting a loan on over 100 million AMD and he agreed with him. But Marat Yeltaev also suggested that prior to accomplishing the organizational activities related to the opening of the pawnshop, hand over that shop to him by sublease with the term of 6 months for the purpose of activities of "Sar Capital" LLC. He agreed and asked 800,000 monthly fees for 6 months, i.e., 4,800,000 AMD. He signed the rent contract as "Arok" LLC's director, that's why the sublease contract also as "Arok" LLC's director he signed with "Sar capital" LLC's director Armen Sargsyan and received the rent amount transferred to his account.

During that period with the help of Armen Sargsyan, Pirinyan received 56 million AMD loan from "Sar Capital" LLC's account which was fixed in "BTA bank" CSJC. But when he asked about receiving the rest of 100 million promised loan by Marat Yeltayev, Armen Sargsyan informed him that Marat Yeltayev left Armenia. However from the same company's account fixed in «Ardshininvest bank" branch of "Malatia" they transferred 20 mln AMD also. Sometime later he had met Armen Sargsyan and he asked to him when he can receive the rest 24mln AMD. Armen Sargsyan answered that he was not a director anymore and he had introduced the new director Levon Khachatryan and told to apply to him for any question. Sometime later he applied to Khachatryan in order to receive the rest amount, but he answered that they can't transfer anymore the other money and he demanded to return the received full amount, plus the rates, 77 million, threatening that if he did not give money, he would apply to the court and get it.

So, Pirinyan understood that he could not use the received amount for its purpose, on July 7, 2009, he came to the office, gave to Khachatryan in cash the demanded amount 77 million AMD and received cash receipts confirming the payment. After that deal he did not meet the director any more.

According to the testimonies of case witness, Armen Sargsyan, since October 2005 he has been working in "BTA bank" CJSC as a Chief Specialist of Credit Department, then as a Head of small and

medium business lending department and head of corporate banking department. From 17 December 2008 till March 2009 he was working as a Director of the "SAR Capital" LLC and since 31 March he was fulfilling only “Sar Capital” LLC's CEO duties. On 8 May he was dismissed from the post of director and continued to work in "BTA Bank" CJSC.

“Sar capital” LLC was founded on December 4, 2008 with the goal of obtaining the “unliquidated” assets of “BTA bank” CJSC because in that period of the time, the bank had serious problems and could lose its license. He was appointed as «Sar capital» LLC's CEO on December 17, 2008 in order to executed the cession contracts deal between «Sar Capital» LLC and the Bank, to make further return of those debts. “Sar capital” LLC acquired from Bank 29 loan packages of borrowers. Some borrowers at the time of transaction were classified according to the banking rules as the loans for unintended use, and the main part of borrowers had overdue payments. All credits were secured by collateral, besides the «wheat credit» which includes the credits on behalf of «Menevia», «Makarella», «Safari line group», « Vik vah» and «M&T agro» companies, 5 of above mentioned 29 credits had been provided with Sargsyan’s direct participation. Especially the credit on behalf of «Artax» LLC and «New Generation Consult» LLC, the credit on behalf of «Artur Yekaterina» LLC, «Daks Art» LLC and the credit on behalf of «Ararat Nazaretyan».

Sargsyan conducted an examination of listed companies' activities, of their profitability and of proposed collateral while providing all thereof credits. The results were appropriate to the standards required by regulation. He did not receive any indication from bank authorities concerning these loans as well as did not have any agreement with anyone.

Sargsyan ensured the payment of some parts of credits, «Artax» LLC, «Lyudvig& son» LLC, «Anahit Simonyan», «Gasmen» LLC, «PaytGrig» LLC, «Ararat Nazaretyan», «Likar» LLC, «Spartak» LLC, «Galuanta» LLC and other individuals and legal entities after his appointment as a director of «Sar capital» LLC. The company's office was situated at Sayat-Nova 22, Yerevan. He transferred the loan over 30.800 USD and 77 million AMD to the bank account of «Arinjalco» LLC and David Pirinyan as well as he provided an advance payment of over 18.500.000 AMD by car purchase and sales contract to "50 * 50" LLC in accordance with the Marat Yeltaev's decision who was the authorized person of the sole shareholder of the company and the General Director's advisor of "BTA Bank" CJSC. By the power of attorney given to him, he had the authority to perform any activity which could be carried out by the shareholder according to the company's charter.

On March 23, 2009 Marat Yeltaev was dismissed from that position and left Armenia. After some time he understood that Marat would not return anymore, he was not willing to take alone that huge responsibility of the company's activity and assets, that's why by telephone call he requested Marat Yeltaev resignation from director's position at the beginning of May 2009. Then on May 8, 2009 Sargsyan met the new director Levon Khachatryan who gave him the decision according to which Armen Sargsyan resigned from the “Sar Capital” LLC's director's position and Levon Khachatryan was appointed to the position thereof. He doesn’t have any information about Levon Khachatryan

appointment. He was simply very glad about that and he helped Levon Khachatryan in the CEO change state registration process, he provided to him all cases and documents, as well as the company's founding documents and seal, and Yevgeniy Kolomiets's loan collateral vehicle Nissan Panthfinder.

Sargsyan used to help Levon Khachatryan also in different questions related to credits and borrowers. "BTA Bank" CJSC borrower and responsible for "wheat credits" Mher Avetisyan called him and took an interest in the issues related to borrowers. Avetisyan told that he was instructed by the bank's founders and authorities. Sargsyan doesn't have any other information about that.

After his release he does not engage himself in any financial affairs, he only gave some professional advice and information to Levon Khachatryan. It's only some time before that he learnt about Levon Khachatryan's criminal activity. The former Deputy of General Director of "BTA Bank" CJSC Aram Iosifyan called Sargsyan and took an appointment in the office at the beginning of July 2009. During that meeting with Aram, Georgi and some other persons Aram Iosifyan submitted the power of attorney granted to him by the "Sar Capital" LLC's founder company "Septrade Limited" LLC's founders and informed them that the company's CEO, Levon Khachatryan with other accomplices stole almost all the credit assets, illegally removing the pledged items from the barrages.

According to the testimonies of the case witness of "Gasmen" LLC's CEO Samvel Khachatryan givenduring case investigation and examined during trial. In May, 2002 he founded "Gasmen" LLC which was engaged in public transportation in Yerevan city by "Bogdan" and "Paz" buses, in which regard he signed a contract with the Municipality of Yerevan in 2007. His company purchased and imported 20 "Bogdan" buses. With this objective in August and October 2007, he received loans from Kazakh "BTA bank" in amount of 47.377.900AMD with 3 year term and 182.534.467 AMD with 5 year term, 18% interest annual rate. Before this, in June 2007 he got 8.226.734 AMD loan with 3 years term and 20% interest annual rate from the same bank in order to purchase "Gazel" microbuses which were replaced by buses. All the above loan amounts were credited to the accounts department of the company and withdrawn in the same procedure as prescribed by law. In that period of the time they received 58 "Bogdan" microbuses from Municipality by contracts of rent.

They had some problems due to enlargement of parking territory and legal address and that was the reason why the Municipality provided by rent with 5 years of term the territory of car fleet situated at Charbakh, Shirak 92 Street, and Yerevan which is the company's actual business address. All the loans were secured by the pledged property, in particular by the private house belonging to his friend Harutyun Harutyunyan /address: Kotayk, Arinj village, 15th Street, home 39/ and by 20 "Bogdan" buses. Till 01 march 2008 they properly made all the loan monthly payments. On March 1, during the riots that took place in Yerevan, 11 buses belonging to company were damaged. They had to demand «BTA bank» to get a loan in order to repair the buses. In March 2008 they got a loan

for 10.782.165 AMD.

In 2008, they had financial problems due to abrupt increase of fuel prices and the company started to work with loss and could not pay credit obligations as well as ensure technical services of the car fleet. Therefore, the company in that difficult financial situation could not perform the tax duties, the financial obligations related to the purchase of diesel fuel as well as loan obligations, despite the written warnings of the bank employees.

In March 2009, Samvel Khachatryan visited «BTA bank». In credit department they told him that the rights of creditor debt obligations were purchased by the "Sar Capital" LLC. He received also the contract of cession signed between «BTA bank» and «Sar capital» LLC. Some time later a person whose name was Lyova came to his office and told him that the company would appeal to the court with demand of repayment of the debt through the sale of pledged property. He offered to pay the debt willingly. The total amount was 278.236.611 AMD. On May 26, 2009 he paid 2.563.540 AMD to the former director of the company Armen. Then, he was afraid that the pledged house of his friend could be sold by auction, he borrowed money and repaid loans. Samvel Khachatryan paid 275.625.612 AMD to Levon Khachatryan in cash, in ''SAR Capital'' LLC's office. Levon Khachatryan gave him signed and stamped cash receipt confirming the payment and the order of removal barrage from the pledged property /the house and the buses/. After that deal he didn't meet the director.

According the evidences of the case witness Gevorg Andreasyan,«New Generation" LLC's director given during the case investigation and examined during trial, the company was founded by his aunt Gayane Grigoryan but the activity of company was run by his uncle Samvel Grigoryan, who died on March 19, 2008. It was a pawnshop situated in the rented area in the gold jewelry market belonging to "Vagharsh and Sons" company. In May, 2007 his uncle offered him to get a loan in order to enlarge the activity of the pawnhouse and engage in other business programs with friends. His uncle asked him to give consent for pledging Andreasyan's property /Nor Aresh 15th Street, house 63/ in the BTA Bank. Andreasyan gave his consent. In May, 2007 his uncle received 2 credits, 200.000 USD for 3 years term, 19 % of annual interest rate and 100.000 USD for 3 years term, 18 % of annual interest rate. After getting the loans his uncle made some deals but later he died. Starting February 2008 his health was getting worse and on March 19, 2008 he died and left unfinished the business projects undertaken by him. Later, the activity of "New Generation Consults" LLC failed. After paying the debts, there were above mentioned credits. Andreasyan couldn't repay the credits because he had also to return some investments made by his uncle. At that time BTA bank appealed to the court with the demand for confiscation of money. At the beginning of January, in 2009 the employee of the credit department of "BTA Bank" Armen informed him that from now on all the questions should be regulated with «Sar Capital» LLC. Then Andreasyan received a statement from «Sar Capital» LLC informing that the company's credit obligations were transferred to «Sar Capital» LLC by contract of cession and repayment must be done in «Sar capital» LLC. Since Andreasyan's

father had a heart attack in the mentioned period of time, he was busy with his medical issues, then he could not know more about the loans obligations, but some time later the director of the company Levon Khachatryan called him and said that if he didn't pay off the credits, his house would be confiscated. The balances of credits totaled 103.059.593,20 AMD and 174.281,56 USD. Andreasyan was very angry, because of the manner of speaking and threats of Khachatryan. Andreasyan answered him strictly that nobody could confiscate his house and he would pay off.

Later Andreasyan borrowed 20 million AMD and in May, 2009 /the exact date he did not remember/ then he called Levon Khachatryan and took an appointment with him near "Ayrarat" cinema. During the meeting Levon Khachatryan submitted the credit case, the cession contract between the Bank and "Sar Capital" LLC and said that he is from Echmiadzin and he is the current director of company so the repayment problems must be regulated with him. At that time Andreasyan paid 20 million AMD for which Khachatryan didn't gave him any receipt. Khachatryan suggested submitting the receipts confirming the cash payment whereas Andreasyan would pay the total amount.

Then, Andreasyan collected all the money from the deals implemented by his uncle. At the end of May he collected the total amount / 149.830.630 AMD/. On June 1, 2009 Andreasyan visited "Sar Capital" LLC's office situated at Sayat Nova avenue where Andreasyan paid the amount thereof to Levon Khachatryan. Khachatryan counted the amount in his presence then entered in another room and left the money there. There wasn't anyone in the office at that time. Andreasyan demanded the receipts. At first Levon Khachatryan denied then agreed with him and gave him the receipt of the payment order of cash payment as well as the house certificate of ownership and a letter, the subject of which Andreasyan didn't know.

According to the testimonies of case witness Aleksan Guroghlyan /founder of "Daks-Art" LLC/ given during the case investigation and examined during the trial. In June, 2005 he founded "Daks-Art" LLC with his friend Samvel Sargsyan. He owned 80 percent shares of the company. The residential address of Samvel Sargsyan /H. Kochar 16/1, app. 5/ was registered as juridical address of the company. The CEO of company was Samvel. The company was engaged in alcohol importation and sales, in particular, Ukrainian "Mrnaya" brand vodka. In September, 2006 they demanded Khazakh "BTA invest bank" to get a loan in order to organize the business. For getting loan 2000000 AMD he pledged the house owned by his wife Gayane Martirosyan situated at Nork, 13th St., 33,Yerevan. At that time the market cost of that house was 150,000,000 AMD.

In September 12, 2006 the company received the loan/ 1.950.000 AMD/, in term of 2 years and annual interest rate 19%. The money mentioned above was used for customs clearance of imported goods. In February 07, 2006 he got the second loan /7.250.000 AMD/, with term of 2 years and annual interest rate 19% from the same bank. The third loan they got on May 22, 2007 totaling over 68 million AMD with 2 years and annual interest rate18%. And the last fourth loan they received on 20 August, 2007 for 5.300.000 AMD with 6 months and 18% interest rate.

The whole amount of above stated loans was spent on business development. The first and the fourth loans were paid off on time, as well as another loans repayment obligation was done properly during some time. The importation of large quantities of vodka, in particular, the above mentioned "Mrnaya" brand vodka produced by Ukrainian "Soyuz-Victor" company, the improper behavior of company's suppliers and the world economic crisis had led to the difficult financial situation and the company suffered big losses.

That was the reason that **Guroghlyan** failed to fulfill the loan obligations and repay bank liabilities. The total amount of "Daks-Art" LLC's liabilities was over 86,000,000 drams, but the bank offered to rebate the amount, subtract fines, penalties and finally they had to pay only 82,500,000 drams. In that period they were unable to find that amount from somewhere and pay, that's why the Bank appealed with demand for confiscation. The court decided to confiscate 277.819,26 USD as well as the state fee over 1.741.220 AMD. In order to implement this decision the appropriate authority seized his house and due to the sum originated from the auction seal the said money was to be collected. But after about 2 months the creditor's rights were changed, in particular during January 2009 they got a statement which informed that the company's credit obligation is assigned to "Sar Capital" LLC by the cession contract.

After this, Guroghlyan had conversations and meeting with regard to his credit obligation with the director of "Sar capital" LLC Armen who was the employee of the credit department of the bank, he gave time for fulfilling the obligations. At the end of May, 2009 he managed finally to collect the above mentioned amount and together with Samvel visited the "Sar Capital" company's office situated at Sayat-Nova. In the mentioned office he had meetings with Armen before that. In the office he found only one young girl who told him that she didn't have any relation with the company and the director wasn't there. Then he called Armen, who informed him that he resigned from the director's post and the director was Levon, whose last name he did not remember and gave the mobile phone number of Levon. He called Levon and told him that he wanted to pay off the loan. Levon told him that he had some problems and he had to go to Echmiadzin. The meeting took place the next day, during which he had to pay the total amount in cash.

The next day Guroghlyan went to the office together with Samvel Sargsyan. Levon was sitting next to the computer. He submitted all relative documents as well as the cession contract and informed that the total amount of "Daks Art" company's loan obligation is 115.680.670 AMD which includes 300.170,14 USD and 1.741.220,20 AMD. Levon offered to pay off the loan and promised not to count the scheduled interest and penalty fines. As Guroghlyan already had the whole amount, he paid to Levon 115.680.670 AMD in cash, on the same day and in the same place. Levon took the amount but he said that the receipts of payment order of cash would be submitted the next day. The next day he received the receipts of payment order of cash and the writ for removal of barrage from the pledged property. The receipt was attached to the accounting documents, since all cash movements, including the amount of the loan repayment were legalized in terms of accounting, i.e. crediting and

withdrawal.

According to the testimonies of case witness Ruben Ghazaryan, given during the preliminary investigation and examined trial where he said that in 1991 he had got married to Vardush Panosyan and they worked together till 2008 in "Alzas" LLC. He worked there as a marketing manager. They had apartment problems and in December, 2005 he decided to buy his uncle's house. The house was registered under his uncle's daughter Naira Ghazaryan, who was also the owner of the house. The house was locate at Yerevan, Aygedzor 1 lane, House 18. The price of the house was 425.000 USD from which he could pay only 125.000 USD, which he got from another uncle of his Edvard Ghazaryan, who gave him that amount as a gift before leaving to USA. The rest of the amount 300.000 USD Ruben together with his wife decided to take from the bank as mortgage credit. Due to that reason they applied to "BTA bank" CJSC in Yerevan, where they offered good terms and conditions and a good guarantee for getting the credit. As he had already a credit for a refrigerator, they decided to get that loan from the bank on behalf of his wife Vardush Panosyan. They submitted to the Bank all the documents required by the specialist of the credit department of the bank, including the information about the revenue of their family members. Then the credit was approved by the bank department and by the head director of the bank Rasul Kasanov. The credit was given for 10 years' term, annual interest rate 15 %.Before having that credit Ghazaryan knew nobody working in "BTA bank", he had no relations there, and nobody helped him to have the credit. After that Ghazaryan received the credit, he executed his obligations properly according to the credit contract. But from February to March, 2008, due to his commercial business problems, he was not able to pay the credit on time, that's why his credit was classified unredeemable by the bank. Although the longest overdue was only 15 days. At the end of November 2008 Ghazaryan was informed by the bank that because of the classification, his credit status was included on a hopeless customer's list and that the bank give his loan with other similar cases to another company under the cession contract. Later, in December, 2008 he got a statement from the bank, in which it was said that the rights of the credit responsibility, which was 228.347,22 USD were transferred to "Sar capital" LLC under the cession contract and since that all the questions with payments and repayments he had to regulate with the head of the company. At that time the director of "Sar Capital" LLC Armen Sargsyan called him and explained that he had to make his payments on the same bank but for "Sar Capital" LLC account. Before that Ruben knew Armen Sargsyan as an employee of the credit department of the ''BTA bank'' CJSC. From January till May 2009 Ghazaryan regularly made his payments to "Sar Capital" LLC's bank account by "BTA bank", as his credit was for a long term and there was left long time before the time for paying the credit was finished. But in May 2009 Ghazaryan received a writ from the new director of "Sar Capital" LLC Levon Khachatryan, with his signature where he demanded to pay all credit by sending the money to "Sar Capital" LLC account number or in cash, otherwise he would get the money by the court. Then Ruben went to "Sar Capital" LLC office, which was located at Sayat-Nova street, where he met Levon Khachatryan, who explained to him that as the credit was classified and was entered on a hopeless credits list, and as it

was given by a cession contract to "Sar Capital" LLC, the date of credit contract with the bank didn't work any longer. So he was obligated to pay all the credits at once. Otherwise he would apply to the court for the house confiscation. Ruben seeing that he might lose the valuable house he applied to his uncle's family, from whom he had bought the house, by asking to recognize their transaction deal as invalid. Ruben asked them to give the money he had paid to them 450000 USD for the house back and he would give the house back to them. The uncle's family agreed to his offer but because they had spent much of that money, they could return only 200.000 USD. The rest they promised to pay part by part in the future to Ghazaryan. After the agreement with uncle's family, he went to the office to let Levon Khachatryan know that he would pay the money and that Khachatryan shouldn't appeal to the court. At that time Levon demanded to pay the money in cash and he promised to give Ghazaryan the receipts of cash payment. Ghazaryan borrowing more than 28000 USD from his friends and relatives exchanged all the money he had for AMD. Then, on June 02, 2009 he went to "Sar Capital" LLC and paid Levon Khachatryan 80.130.810 AMD in cash. At that time there was nobody in the office except Ghazaryan and Khachatryan. After getting and putting the money somewhere, Levon Khachatryan told that he would be back in a few minutes and he left the room and entered another room of the office. After some time he came and gave Ghazaryan the receipt of payment order of cash where the amount and the data about Ruben's wife were typed and at the bottom was signature of Levon Khachatryan.

According the evidences of the case witness Ara Guroghlyan, given during the case investigation and examined during trial, that in 2006 he was in a difficult financial situation and he decided to sell one of the following houses; his own property or his father's property. These houses were being sold in auction by the Judicial Acts Compulsory Enforcement Service because of non-payment of his credit obligations. He turned to his friends and relatives offering them to buy one of these houses. He owed his friend Samvel Darbinyan 10.000 USD. Samvel Darbinyan wanted to purchase his own house at the price of 200000 USD /address: Nork 6th St., 1st Lane, House 25, Yerevan/ by mortgage loan. In August, 2006 Darbinyan informed that they could formulate thereof purchase deal in Khazakh "BTA bank". Later they made the deal and Darbinyan paid the deposit. After a few days he received the cost of the house 200.000 USD in the headquarter of "BTA bank" situated at Tumanyan street, Yerevan. The loan was issued in AMD, but the amount was converted in USD by his will. Guroghlyan couldn't repay the debt of Darbinyan that's why he offered him to execute the monthly mortgage loan contract obligations which Darbinyan assumed. So further payments of mortgage loan obligations, as well as the payment of the first 2-3 months were executed by Samvel. Two months later, Samvel Darbinyan had commercial finance problems and he appeared in a difficult financial situation. Consequently, Darbinyan refused to continue the mutual agreement and asked to return the amount of difference. Therefore, the further service of loan should be made by Guroghlyan. As Darbinyan helped him and gave him money for solving his personal problems, he accepted his offer. Darbinyan gave the power of attorney approved by a notary public to his wife Nune Kostanyan. The above mentioned difference, which Darbinyan paid personally, returned to him

part by part. But till today Guroghlyan still owed Darbinyan money and made the repayment. During the initial period of the time his difficult financial situation led to the occurrence of other problems connected with the execution of the mortgage contract obligation. That's why his credit transaction was classified by the bank. At the beginning of 2008 the bank applied to the court for confiscation the amount over 178.000 USD including fines and penalties.

The court hearings were delayed, as in the beginning the claim was submitted to the Commercial Court which was liquidated in the initial period. Then the claim was submitted to the Court of First Instance of Avan and Nor-Nork districts. Guroghlyan attended the court hearings as a representative of Darbinyan according to the power of attorney granted to him. In the bank Darbinyan communicated with the employee of the credit department Armen Sargsyan concerning the loans and credit questions. In the court hearings the bank was represented by the lawyer, whose name he doesn't remember.

Later, in June, 2009 Guroghlyan was informed by the court that the "BTA bank" CJSC rejected the claim because the bank conceded the creditor's rights to "Sar capital" LLC under the cession contract. The "Sar Capital" LLC should engage itself in the credit repayment process. Guroghlyan immediately called Armen Sargsyan and was informed that he is the present director of the company. Some time later Armen Sargsyan told him that he didn't have any relation with "Sar Capital" LLC anymore and all questions would be regulated by the new director named Levon.

Before that, at the end of 2008, Guroghlyan sold his house located at Nork 9th street, house 42, Yerevan, at the price of 150.000 USD in order to give the debt and save the house. However, the bank demanded more money calculating the penalty and fines. Thus, he tried to decrease the payable amount.

Few days later, at the end of June 2009, he does not remember the exact date, he received a call from Khachatryan ("Sar Capital" LLC's director) who invited him to the office which was situated at Sayat-Nova avenue. During the meeting Khachatryan demanded to pay the total amount over 178.000 USD required by the bank whereby the civil claim. Khachatryan argumented that the debt was estimated 178.000 USD. But Guroghlyan protested and submitted the calculation made by himself according to which he argumented that the bank counted the groundless fines, penalties and court costs. After that, Khachatryan agreed with him and analyzing some documents announced that the final cost of debt as 57.439.340 AMD. He demanded to repay the amount in cash during several days by crediting to company's cash desk. As Guroghlyan was willing to repay the money, on July 3 or 4, 2009 he went to the office of ''SAR Capital'' LLC and paid Khachatryan over 5000 USD in cash. He also asked him to wait for several days he would find and pay the balance 5000 USD. Khachatryan told him that he could wait and would submit the receipts confirming the payment while he would accomplish the whole credit payment. Then, after two days Guroghlyan had borrowed 5000 USD from his friend Garik, which surname he does not remember and who is living in USA at the present days. Guroghlyan exchanged the amount thereof to for and paid it to Levon

Khachatryan in the above stated office. Khachatryan gave him the receipt of payment order of cash 57.439.340 AMD, as well as the writ of removal barrage from pledged property and the notice addressed to Samvel Darbinyan about cession of credit obligations to "Sar Capital" LLC by cession contract and about demand of payment.

According to the evidences of the case witness «Sapark" LLC's director Ashot Atanesyan, given during the case investigation and examined during trial, in 2000 Atanesyan founded «Karzel» LLC on behalf of which he purchased from the State the part of metal plant production area owed by the former "HydroEnergoShin" company situated at Sharur 36/1 Street, Yerevan. After purchasing that area Atanesyan made large-scale investments there and built a vegetable oil, soap production, with its corresponding production lines, warehouses and industrial divisions. The purpose for all was the production and sales of vegetable oil for which Atanesyan received also the loans.

Considering the fact of increasing demand as well as the need to develop the production and in order to increase production and sales opportunities the company cooperated with the following companies operating in the neighborhood, such as "Sapark" LLC, "Lika" LLC, "Gin-Shin" LLC and "Galuanta" LLC. Each of these companies had its own sphere of activity and specialization, had the appropriate facilities and fixed principal assets. Especially, "Sapark" LLC director of which was Andranik Khachatryan, specialized in the good's transportation. For the implementation of that transportation the company had the necessary infrastructure, including the tanks intended for oil and other goods transportation.

The "Galuanta" LLC, the director of which was Gagik Tumanyan, specialized in sale and supply of food and other food products. The company had an appropriate commercial network of sales distributed via Armenia, which was a very important factor in sales of manufactured product and in ensuring the profits.

The "Likar" LLC, the director of which was Avet Hayrumyan, specialized mainly in supply of food by tenders to the state institutions, particularly to the Ministry of Defence. The company had great opportunities and successful experience in the field of foreign trade activities, the capabilities of which were used in all with mutually beneficial manner.

The "Gin-Shin" LLC, the director of which was Artak Abelyan, specialized in the field of construction and trade. The company had the appropriate licenses for the construction activities. The capabilities of the company were also useful in the construction of various structures, as well as in the implementation of large-scale construction orders.

The private employer "Anahit Simonyan", the director of which was Anahit Simonyan, who was involved in the importation of commodities from China, the opportunities of which during that period were used for importation and sale of goods in large amounts. All these opportunities were given to Atanesyan and the managers of those companies to plan and made a great business plan for increasing the volume of vegetable oil production and its sales. For purpose thereof they needed 8

million USD credit in order to ensure the new production lines as well as the necessary amount of raw material and other infrastructure.

For the implementation of this program, at Atanesyan's own initiative, they decided to get a loan on behalf of all these companies, besides «Kazel» LLC belonging to Atanesyan. As «Kazel» LLC's principal assets' value was much higher than the expected size of the loan, so the directors thereof companies planned to use the «Kazel» LLC's capabilities for getting the biggest loan in the end. During that period of time one of these companies used to cooperate effectively and got the loan from Kazakh «BTA Bank» CJSC in Armenia. That's why in summer of 2006 they applied to the same bank for getting the loans in order to accomplish the purposes specified in the business plan. The authority of the Bank, especially the head of bank RasulKasanov and his deputies, were discussing their business plan and the real possibilities of its implementation. They approved the plan and agreed to lend it completely.

To this objective, they started to regularly receive the loans. Particularly:

On behalf of **«Likar»** LLC 4 loans:

Contract of September 19, 2006 - 150.000 USD, with term of 18 months, annual interest rate 16%. Contract of April 18, 2007- 150.000 USD, with term of 12 months, annual interest rate 16%. Contract of July 23, 2007 -172.000 USD, with term of 12months, annual interest rate 16%. Contract of October 12, 2007 - 56.000.000, with term of 6 months, annual interest rate 16%.

On behalf of **«Galuanta»** LLC 3 loans:

Contract of August 20, 2007- 240.000 USD, with term of 12 months, annual interest rate 16%. Contract of January 1, 2008 - 360.000 USD, with term of 12months, annual interest rate 16% Contract of January 24, 2008 -20.000.000AMD, with term of 4 months, annual interest rate 17%.

On behalf of the private employer **"Anahit Simonyan"** the loan: 70.000.000 AMD, with term of 12 months, annual interest rate 17%.

On behalf of **«Sapark**» LLC they got 4 loans:

Contract of November 14, 2006 - 500.000 USD, with term of 24 months, annual interest rate 16%. Contract of April 14, 2007 - 100.000 USD, with term of 12 months, annual interest rate 16%. Contract of July 23, 2007 - 80.000 USD, with term of 12months, annual interest rate 16%. Contract of October 12, 2007 - 26.000.000 AMD, with term of 12 months, annual interest rate 16%.

On behalf of **«Gin-Shin»** LLC 2 loans:

Contract of May 4, 2007 - 600.000 USD, with term of 12months, annual interest rate 16%.

Contract of January 16, 2008 - 20.000.000 AMD, with term of 4months, annual interest rate 17%.

All above stated loans were used in order to increase the vegetable oil production volumes and

sales, as well as to implement other commercial transactions, to import to Armenia appropriate raw materials. The production process was conducted in a planned way. But "BTA bank" provided only 3.000.000 USD loans. The bank couldn't provide the promised 5 million USD loan arguing with the emergence of internal problems, in particular, the problems incurred for repayment of large-scale loan funds and for non-compliance with the standards set by the Central bank. The Bank's problems had an enormous impact on their program as they had already purchased a large quantity of raw materials from Moldova and Ukraine that was planned to supply to Armenia and use for the production of vegetable oil. But all this failed, they had to run out and sell their raw materials locally, and this resulted in great losses, and in addition, in a large number of failed transactions and other supplies.

They used to perform duly the credit obligations including payments of principal and accrued interest. Later the companies appeared in the financial crisis and faced problems with performing the credit obligations. That's why their credits were classified by the bank.

At the end of December, 2008 they were informed officially by the Bank that the companies credit obligations were transferred to «Sar Capital» LLC under the contract of cession and since that all the questions with payments and repayments they had to regulate with that company.

As the initiative for this business program belonged to Atanesyan, therefore after the occurrence of these problems, the directors of companies put on him to find the solution of the credits obligations implementation. They announced that they did not have any possibility for doing that. And on May 20, 2009, he was appointed as a director of "Sapark" LLC by the offer of "Sapark" LLC's current director Andranik Khachatryan.

Pursuant to the final calculation made by Bank, the total amount of "Sapark" LLC's loan obligation was 227.081.034,8 AMD, of "Galuanta" LLC's loan obligation was 221.368.264,1 AMD, of "Likar" LLC's loan obligation was 147.720.377,7 AMD, of "Gin Shin" LLC's loan obligation was 301.329.175,5 AMD and of PE "Anahit Simonyan" loan obligation was 79.618.328,6 AMD, i.e. the total amount was 977.117.185,7 AMD.

Whereas, the further implementation of all these loan obligations should be performed by Atanesyan, he suggested signing the trilateral agreement, between the "Sapark" LLC's director Atanesyan, the directors of other companies and the director of "Sar capital" LLC Levon Khachatryan. The agreement should be on transference of the rights and obligations of the above mentioned 4 companies to «Sapark» LLC. The agreement was stamped and signed by all the concerned parties in the office of "Sar Capital" LLC situated at Sayat-Nova avenue.

Atanesyan sold the some shares of «Kazel» LLC to Surik Hovhannisyan and Tamara Papazyan respectively in the price of 60,800,000 and 729,600,000 AMD. Atanesyan saved the great part of that amount as his personal money.

All these financial resources as well as the borrowed money were transferred to «Sapark» LLC, as

the money providing by Atanesyan to the company with a loan. Later, on June 01, 2009 Atanesyan paid the total amount /977.110.000 AMD/ to Levon Khachatryan. Levon Khachatryan submitted the receipts confirming the cash payment as well as the order for removal of the barrage from the pledged property. Atanesyan considered the receipt of payment not sufficient, and together with Khachatryan they prepared a bilateral debt act, which indicated each company's debt and total amount of debt 977.117.185,7 AMD as well as the total repayment of money. The act was signed and stamped by him and Khachatryan.

According to the testimonies of the case witness Avetis Grigoryan/ proprietor of "Ararat Nazaretyan " LLC/, given during the investigation and examined during the trial, that in August, 1999 together with his wife Anahit Avagyan founded ''Ararat Nazaretyan'' LLC. However, only his wife was registered as a founder and proprietor of 100% shares but factual management was exercised by Grigoryan. The company was engaged in public transportation service.

The company participated in the tender and received a correspondent license for exploitation of 104 and 99 transport lines, till today they execute public transportation on the same transport lines.

Moreover, the company exploited the bus transport lines N14 and 38 as well as ''Dama'' taxi service.

In order to properly take part in minibuses transports lines tender, in November,2006 he started improvement of the works such as: renovation of transport of park, improvement of working condition and technical service. In November 2016, Grigoryan presented the business-plan and other considered document to "BTA Bank" CJSC, in order to purchase 42 minibuses, model: ''Gazel 3221''.

As a pledge for the above mentioned credit he offered his following property: the shop situated at address Bagratunyats street number 13, the land situated in Mantashyan 28/registered on their former ''Hayr Najaryan'' LLC's name as well as purchased minibuses.

The bank approved the business-plan and considered sufficient pledged real and movable estate. So, the bank agreed to give 600.000 US dollars credit, which was made within 2 credit contracts.

The first credit in amount of 180.000 US dollars, he received on November 30, 2006 for the term of 36 months and interest annual rate of 20%.

All the money was credited to the accounts department counting of the company and was used according to the credit objective. Namely, in December of 2006 he purchased 12 minibuses, then he participated in the tender and obtained a license. On December 27, 2006 Grigoryan received from ''BTA Bank'' CJSC credit in the amount of 420.000 US dollars, in the term of 36 months and interest annual rate 17 % for purchasing 30 minibuses. As a pledge property the same pledged property of first credit was registered.

In addition to above the mentioned credits, Grigoryan while working process addressed to ''BTA Bank'' CJSC in order to receive 2 credits. The credits were approved by the bank.

In particular, on September 10, 2007 according to the credit contract Grigoryan received 24.880.000 AMD, with term of 36 months, interest annual rate 18%. The credit purpose was purchase of 4 cars, mode ''Reno'' for taxi service, which was executed and properly executed in the accounts department of the company.

On April 10, 2008 Grigoryan received the fourth credit, in the amount of 20.000.000 AMD, with the term of 36 months, interest annual rate 17%, for purchase of 2 ''Mitsubishi pajero'' model cars according to credit contract. All the purchased cars were pledged together with real estate.

Until June, 2008 all the credit obligations were executed properly, while repayment of principal and interest there were not a single day of delay. However, from February to March of 2008, energy carrier's prices were increased. In addition, the government and municipality prohibited to increase prices of passenger fare. Therefore, they started to work with loss.

In general, they occurred in worst situation, because of the use the ''Bogdan'' model buses, as their exploitation and maintenance costs are enormous. A few months they managed with the problems at the expense of own resources. But, as a result of circumstances mentioned above, they had problems with execution of the credits obligations. In particular, they couldn't make monthly payments.

Consequently, the company's credits were occurred in the proper classification. After that, in the end of December, 2008 Grigoryan was invited to Nur Bakbergenov/ executive director of ''BTA Bank'' CJSC/. Bakbergenov informed that the bank conceded the credit obligations of the company /which consisted **43.128.646,50 AMD and 393.575,45 US dollars/** to ''SAR Capital'' LLC, under the cession contract and that from now on all problems should be resolved with the head of the same company.

Until May of 2009, the company hadn't possibility to refer to its credit obligations. However, in the middle of May, Grigoryan received a notification of fulfillment of credit obligations, from Levon Khachatryan /the director of '' SAR Capital'' LLC/. Then he called Khachatryan, then he met him in the office of ''SAR Capital'' LLC, situated at Sayat-Nova avenue. Khachatryan demanded to make a repayment of the total amount; otherwise he would appeal with claim to the court and confiscate all pledged property. During the conversation Armen/ employee of the bank credit department/came to the office, but he didn't interfere in the conversation. Seeing that they could lose the property, Grigoryan promised to organize the repayment of the credits until the end of May. So they started to get the money, they sold their construction equipment in Moscow, and the money of the sold property was partly transferred to Yerevan. So, they collected the required amount.

On June 2 of 2009 Grigoryan went to the office of ''SAR Capital'' LLC and paid personally to Khachatryan the whole debt totaling 182.925.350 AMD in cash, USD balance was counted according to USD and AMD exchange rate of the day of payment. They were alone in the office, Khachatryan after counting the money, put it in the room within the office. However, the receipt of the payment

order of cash and the writ of removal of pledged property from barrage, Khachatryan gave him a few days after the payment, but the exact date he does not remember. Khachatryan reasoned that he should prepare the documents mentioned above; he promised to give the documents 1-2 days later. Then Khachatryan gave the receipt of payment order of cash N007. Grigoryan hadn't any communication with Khachatryan after that. The amount of money in order prescribed by the law was credited to the accounts department as an investment. Then, according to the decision of the general meeting, the money was withdrawn in order to pay the credit.

The material proofs/exhibits/ of the case, the documents provided by the creditors, which were signed and stamped by Levon Khachatryan are following:

1. 01.06.2009 the receipt of the payment order of cash N003, Samvel Khachatryan /the director of ''Gasmen'' LLC paid 275.625.612 AMD to ''SAR Capital'' LLC.
2. 01.06.2009 the receipt of the payment order of cash N001, Artur Matevosyan / the director of '' Artur and Ekaterina'' LLC paid 19.200.000 AMD to ''SAR Capital'' LLC.
3. 02.06.2009 the receipt of the payment order of cash N008, L.Zoryan /the director of ''SAR Capital'' LLC/ paid to 336.500.120 AMD ''SAR Capital'' LLC.
4. 01.06.2009 the receipt of the payment order of cash N001, Zh. Andreasyan/the director of ''New generation consult'' LLC paid 169.830.630 AMD to ''SAR Capital'' LL.
5. 01.06.2009 the receipt of the payment order of cash N004, L. Poghosyan/ the director of '' Lyudvig and son''LLC paid 111.129.840 AMD to ''SAR Capital'' LLC.
6. 03.07.2009 the receipt of the payment order of cash N012, A.Hayrapetyan/ The director of ''ED and Zhak'' LLC paid 22.693.000 AMD to ''SAR Capital'' LLC.
7. 02.06.2009 the receipt of the payment order of cash N007, A. Avagyan /the director of ''Ararat Nazaretyan'' LLC paid 182.925.350 AMD to ''SAR Capital'' LLC.
8. 07.07.2009 the receipt of the payment order of cash N016, D. Pirinyan paid 77.000.000 AMD to ''SAR Capital'' LLC.
9. 02.06.2009 the receipt of the payment order of cash N005, V.Panosyan paid80.130.810 AMD to ''SAR Capital'' LLC.
10. 02.06.2009 the receipt of the payment order of cash N005, S.Darbinyan paid 57.439.340 AMD to ''SAR Capital'' LLC.
11. 01.06.2009 the receipt of the payment order of cash N001, V.Mazmanyan /the director of ''Molinos'' LLC paid 106.946.950 AMD to ''SAR Capital'' LLC.
12. 03.06.2009 the receipt of the payment order of cash N009, A.Nurijanyan /the director of ''50*50'' LLC paid 343.714.487 AMD to ''SAR Capital'' LLC.
13. 07.07.2009 the receipt of the payment order of cash N015, A.Nurijanyan /the director of ''50*50'' LLC paid 18.500.000 AMD to ''SAR Capital'' LLC.
14. 01.06.2009 the receipt of the payment order of cash N001, A.Atanesyan/the director of

''Sapark'' LLC paid 977.110.000 AMD to ''SAR Capital'' LLC.

15. 03.07.2009 the receipt of the payment order of cash N013, R.Hovhannisyan /the director of ''Artagh'' LLC paid 43.778.200 AMD to ''SAR Capital'' LLC.
16. 01.06.2009 the receipt of the payment order of cash N011, A.Guroghlyan /the director of '''Daks Art'' LLC paid 115.680.670 AMD to ''SAR Capital'' LLC.

According to the above situated documents he received and appropriated totaled **2.940.815.961,10**AMD.

Pursuant to 12.10.2009 report of trade revision and attaches files, which substantiated that from 2008 to 2009 according to the cession contract between '' BTA Bank'' CJSC and ''SAR Capital'' LLC, the bank conceded the right of creditor of 29 credits.

In particular, in the price of 11 million 700.000 US dollars /equal to 3. 698.973.049,66 AMD/, ''SAR Capital LLC purchased 29 credits in total value 15 million US dollars /equal to 4.912.242.345,91 AMD/.

The court doesn't pronounce aggravating circumstances.

Examining the question of precautionary measure, the court came to the conclusion that there are grounds and conditions for detention, in case of being free he could avoid to bear the punishment and interfere in the judgment execution, consequently the precautionary measure detention must be unchanged.

Taking into consideration, the marital status of the accused, and the fact of 2 children under his care, the court came to the conclusion that there is no need to give an additional punishment such as confiscation of property.

The General Prosecutor's office submitted a civil claim, with demand for the money/12.022.516 AMD/ confiscation in favor of State budget, as the compensation of damage, which caused to state by the crime.

The representatives of the victim submitted the following civil claim demands: To confiscate from Accused 2.940.815.961 AMD in favor of ''SAR Capital'' LLC, as the stolen amount of money and the price of stolen car ''Nissan Pathfinder''/12.782.826 AMD/.

Examining the civil claims, the court came to conclusion that the claims are grounded and shall be satisfied generally.

Examining the question of disposal of the material proofs, the court came to the conclusion that all the case material proofs and the tax case of ''Krist Khach'' LLC must be left in the criminal case.

Based on the above mentioned and guided by Articles 357-360 of Criminal procedure code of RA,

the Court RESOLVED:

To convict guilty Levon Khachatryan by part 3.1of Article 179, part 1 of Article 205 of Criminal code of RA and by part 3.1 sentence to 6 years imprisonment, without confiscation of property. According to part 1 of Article 205 fine 800.000AMD.

According to part 4, Article 66 of Criminal Code of RA, at the result of cumulating the punishments, the final punishment is 6 year imprisonment in appropriate criminal executive institution /Ministry of justice of the RA/, without confiscation of property and 800000 AMD fine.

The punishment begins from July 26, 2009.

Leave detention /the precautionary measure/ unchanged till the judgment will enter into force; satisfy the civil claims.

A levy was assigned to Levon Khachatryan for:

12,022,516 /twenty-two thousand twelve million five hundred sixteen/ AMD as a compensation for the damage caused by the crime in favor of the state budget.

2.940.815.961 /two billion nine hundred forty two million eight hundred fifteen thousand nine hundred sixty one/ AMD in favor of the "Sar Capital" LLC, as stolen and embezzled money and "Nissan Pathfinder" vehicle value of 12,782,826 /twelve million seven hundred and eighty-two thousand eight hundred and twenty-six/ AMD ... ".

To leave all the materials and proofs submitted to the court as well as the tax case of “KristKhach” LLC attached to criminal case.

The decision can be appealed with the Criminal Court of Appeal of the Republic of Armenia within one month upon its promulgation.

Judge: /signed/ K. Ghazaryan

Translated by certified translator SARGSYAN Marina (Certificate # 10 granted by the RA Ministry of Justice, on May 22, 2002) certifying it as a complete, accurate and true translation of the text.

On December 27, 2016,

I, GHUSHCHYAN Anush, acting in the capacity of Notary of the SHENGAVIT Notary Territory of RA, certify the authenticity of the English language translator's signature. In accordance with the Republic of Armenia Notary Law, article 68, I confirm that the document has been translated by the translator trusted by me, but not the facts stated in the document.

Listed in the register with N ––––––
State duty and the service fee have been paid
according to Laws of the RA On State duties and On the Notary's Office

Notary /signed, sealed/