

ESHET MICROFINANCING INSTITUTION ARTICLES OF ASSOCIATION

ARTICLE 1

General

This Article of Association, which governs the operation of Eshet Micro Financing Institution, is drawn in accordance with Commercial Code of Ethiopia, the Licensing and Supervising of Micro Financing Institution Proclamation No. 40/1996 and relevant directives issued by the National Bank of Ethiopia, and shall form an integral part of the Memorandum of Association of the Institution.

ARTICLE 2

Register of Shares

All shares of the Institution shall be registered in the registers of the Institution. The register shall specify paid up and subscribed shares of each shareholder.

ARTICLE 3

Transfer of Shares

1. Ownership of registered shares shall be established from a register of shares.
2. An unanimous agreement of the Board of Directors of the Institution is required for any valid transfer of founding members shares to parties other than the founding shareholders.
3. The founding shareholders and any other future shareholders hereby irrevocably and unconditionally waive any claim to the shares and proceeds thereof for personal use. They however, have the right to transfer their shares gratuitously to organizations or individuals who support the objectives for which Eshet is established.

ARTICLE 4

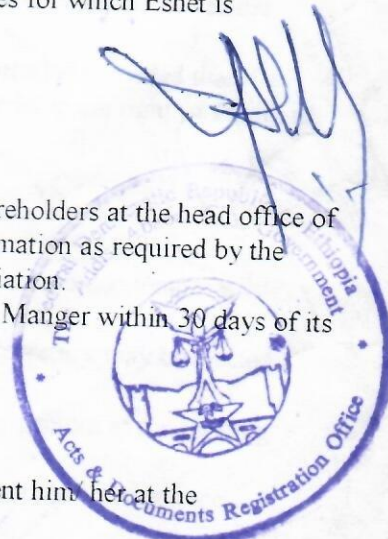
Register of Shareholders

1. The General Manager shall keep the register of the shareholders at the head office of the Institution. The register shall contain detailed information as required by the Commercial Code, Memorandum and Article of Association.
2. Errors in the register shall be corrected by the General Manager within 30 days of its discovery.

ARTICLE 5

Proxy

1. A shareholder may nominate a proxy who shall represent him/her at the shareholders meeting.
2. In the absence of contrary stipulation the proxy can not exercise special rights and duties other than the shareholder's.
3. The power of attorney shall be made in writing, duly signed and bear date.



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ARTICLE 6

Powers of the General Assembly

1. Appoint, remove and fix remuneration of members of the Board of Directors, and Auditor of the Institution.
2. Examine and approve the reports of Board of Directors and Auditor.
3. Frame policies after evaluating the proposals of the Board of Directors.
4. Approve and amend the Memorandum and Articles of Association of the Institution.
5. Approve the yearly plan and budget of the Institution.

ARTICLE 7

Powers of the Boards of Directors

The Board of Directors is the highest organ of the Institution next to the General Assembly. The Directors have the duty to carry out powers and responsibilities entrusted to them by virtue of law, Memorandum and Article of Association and by the decisions passed by the General Assembly.

ARTICLE 8

The Management of the Institution

1. The management of the Institution shall be carried out by a General Manager elected and whose remuneration and duty fixed by the Board of Directors.
2. The General Manager shall direct and administer the operation of the Institution entrusted to him by the law, Memorandum and Article of Association of the Institution and the Directives of the Board of Directors. He/ She shall perform all activities that are necessary to realize the objectives of the Institution.
3. The General Manager shall have any other powers and duties as delegated to him/her by the Board of Directors.

ARTICLE 9

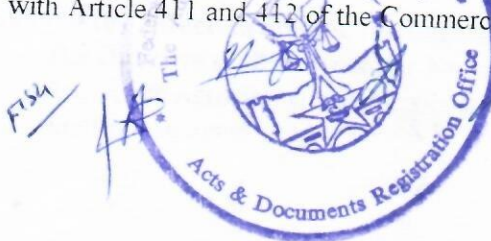
Meeting

1. Notice calling meeting along with the agenda of the meeting shall be sent to the shareholders 15 days ahead of the meeting date.
2. Items of the agenda of the General Assembly may be amended provided that the agreement of more than 50% of those shareholders who have the right of voting is obtained.

ARTICLE 10

Procedures of Meeting

1. The Chairman of the Board of Directors or, in his absence, the person temporarily appointed by the assembly, shall preside at all meetings.
2. The assembly shall elect the secretary of the meeting. The secretary may be elected outside the shareholders.
3. The name, the voting rights of the shareholder and the proxy present at the meeting shall enter in the register meant for this purpose.
4. Discussions and decisions passed by the meeting shall be written in accordance with Article 411 and 412 of the Commercial Code.



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ARTICLE 11

Secretary of the Board of Directors

1. The secretary of the Board of Directors shall be appointed by the Board.
2. The Secretary shall record the minutes of the Board of Directors and keeps the documents.

ARTICLE 12

Election And Removal Of Directors

1. The term of office of the members of the Board of Directors shall be a period of three years.
2. Without prejudice to the relevant provisions of the law, the members of the Board of Directors shall be appointed by the General Assembly.

ARTICLE 13

Registration Of the Directors

The Institution shall keep at its head office a register of the members of the Board of Directors with particulars as to their civil status, profession, and any directorship held in other organizations and the name of a Institution and address of its head office.

ARTICLE 14

Remuneration of Directors

The General Assembly shall determine the amount and manner of payment of the remuneration of the Directors, Eshet will however, start paying such remuneration when it starts making profit from its operations.

ARTICLE 15

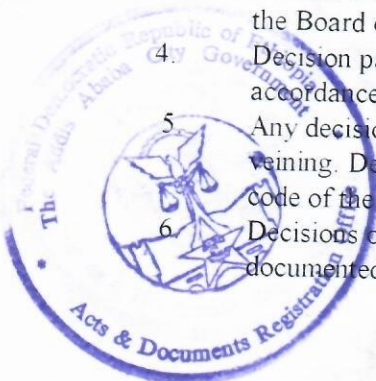
Meeting of the Board of Directors

1. Unless otherwise provided, the meeting of the Board of Directors shall be held at least once a month at the Head Office/ Branch Office of the Institution.
2. The Board of Directors shall elect the Chairman from among its members, who shall remain in office for 3 years.
3. Whenever deemed necessary, extraordinary meetings may be called by the chairman of the Board of Directors.
4. Decision passed by the meeting of the Board of Directors shall be drawn up in accordance with Art. 358 of the Commercial Code.
5. Any decisions passed in the absence of majority of the members of the Board is not veining. Decision could be passed according to the vote requirement of the commercial code of the country.
6. Decisions of the Board shall be reduced to minutes and, the minutes shall be documented after being signed by all of the members of the Board of Directors.

ARTICLE 16

Liability of the Directors and the Institution

1. The Directors shall carryout the duties imposed on them by law, the Memorandum and Articles of Association and decisions of the General Assembly, with strict good faith due from an agent.



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2. Directors shall be jointly and severally liable to the Institution for damage caused by failure to carryout their duties.

ARTICLE 17

Auditors

1. The Auditor of the Institution shall exercise powers entrusted to him by the law, the Memorandum and Articles of Association.
2. The Auditor of the Institution shall have the powers and duties to check and verify the correctness of property, balance sheet, and profit and loss accounts of the Institution. In the course of discharging his duties, they may call and examine books, minutes and such other documents as may be required for the proper execution of their duties.

ARTICLE 18

Annual Accounts of the Institution

1. Annual accounts of the institution shall commence on January 1 and ends on December 31st.
2. The first annual account of the Institution shall be counted beginning from the date and month of registration of the Institution.

ARTICLE 19

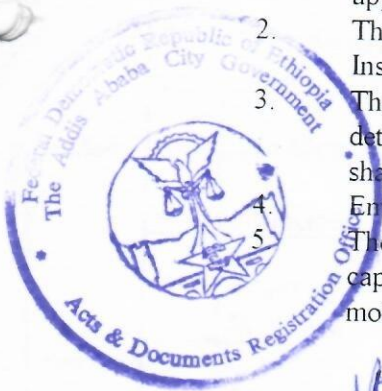
Legal Reserve Fund

Commencing from the second year of its operation, ten percent (10%) of the net annual profit of the Institution shall be transferred to legal reserve account until it equals twenty percent(20%) of the capital of the Institution. After meeting this requirement, the whole annual profit will be ploughed back to the operation of the Institution.

ARTICLE 20

Lending Policy

1. The Institution shall provide loan to eligible Micro-Entrepreneurs who are or want to be engaged in productive activities based on the lending policy developed by the Institution, the borrower's repayment capacity and when approved by the appropriate section/Branch of the Institution.
2. The loan shall be provided to groups and individual in accordance with the Institution's lending policy and procedures.
3. The maximum amount of loan to be extended to the borrowers shall be determined by the lending policy of the Institution. However, this loan ceiling shall not exceed the limit set by the National Bank of Ethiopia.
4. Emphasis on women borrowers shall be part of Institution's lending policy.
5. The total amount of credit disbursed shall not exceed more than ten times the capital and reserve fund plus fifty percent (50%) of the amount of savings mobilized by the Institution.



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ARTICLE 21

Dissolution of the Institution

1. The Institution shall be dissolve when:
 - a) The General Assembly decided that the objectives of the Institution are fully completed;
 - b) 3/4 of the members of the General Assembly decide for any other reasons that the Institution be dissolved.
 - c) Relevant laws of the country so provides.
2. Upon dissolution liquidators shall be appointed by the Board. Liquidators shall take full inventory of the property and register the assets and liabilities of the debtors and creditors of the Institution and undertake similar activities determined by the Board.
3. The assets of the institution shall be used to settle its debt and what remains after settlement of debts shall not be divided among the founding members but shall be donated to organizations that carry out similar activities as decided by the General Assembly.

ARTICLE 22

Amendments

1. Any amendment to Memorandum and Articles of Association shall be made by extra ordinary meeting of the General Assembly.
2. Voting procedure and the issue of quorum in the extra ordinary meeting shall be executed in the manner provided by Art. 425 of the Commercial Code.

The founding shareholders of the Institution have read and approved this Articles of Association this _____ day of _____ in Addis Abeba.

No	Name of Founders	Representatives Name	Signature	Date
1	Ato Atnafu W/Gebriel Yimer	Ato Atnafu W/Gebriel Yimer		27-01-2000
2	W/o Alewiya Mohammed Jibril	W/o Alewiya Mohammed Jibril		27-01-2000
3	Ato Mergia Beyene Fetewu	Ato Mergia Beyene Fitewu		27-01-2000
4	Ato Kebede Assefa Mekonnen	Ato Kebede Assefa Mekonnen		27-01-2000
5	W/o Felekech Shewangezawu W/Senbet	W/o Felekech Shewangezawu W/Senbet		27-01-2000
6	Ethiopian Rural Self Help Association	Ato Zeleke Tesfaye Habte/Mariam		27/01/2000

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