

Case No. EKD 0319/01/10

December 29, 2011

Yerevan, Republic of Armenia

VERDICT
IN THE NAME OF THE REPUBLIC OF ARMENIA

COMMON JURISDICTION COURT OF FIRST INSTANCE
IN KENTRON AND NORK-MARASH ADMINISTRATIVE REGIONS OF YEREVAN

Presided by: Judge, M. Martirosyan
Assisted by: T. Grigoryan, E. Mkrtchyan
Participated by: H. Sargsyan, Deputy Head of the Department of Investigations by
National Security Authorities of the Republic of Armenia,
Prosecutor General's Office of the Republic of Armenia
G. Tigranyan, Prosecutor of the Department of Investigations by
National Security Authorities of the Republic of Armenia,
Prosecutor General's Office of the Republic of Armenia
Counsels, H. Baghdasaryan, H. Maghakyanyan
Victim, "Shengavit-A" LLC
Victims and civil plaintiffs, K. Ghazaryan, A. Avetisyan, A. Nazaryan,
A. Stepanyan, M. Nazaryan, N. Poghosyan, A. Arzumanyan, N.
Tadevosyan, R. Aghajanova
Representative of victims and civil plaintiffs, A. Mnatsakanyan

An open-court hearing of the criminal case on charges against:

Ashot Aleksan Hakobyan: born on May 15, 1957 in Karmir, Gegharkunik, Republic of Armenia; Armenian by nationality; Armenian citizen; with higher education; married; with no dependent persons under his care; with no prior convictions; worked as a director at "Khachvar" LLC; registered and resided at House #30, 20th Str., Nor-Aresh, Yerevan, Republic of Armenia; under detention since April 10, 2010; charges are pressed, pursuant to Clause 1, Part 3, Article 178, Clause 1, Part 3, Article 190, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia.

Igor Aron Mandel: born on August 28, 1941 in Kirovakan (currently: Vanadzor), Republic of Armenia; Jewish by nationality; Armenian citizen; with higher education; married; with no dependent persons under his care; shareholder and director at

“Shengavit-A” LLC; with no prior convictions; with poor health, 3rd degree handicap; registered and resided at 27 Komitas Ave., Apt. 3, Yerevan, Republic of Armenia; not under detention; charges are pressed, pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia.

Judicial background of the case

Criminal case No. 14114408 was instigated on May 22, 2008 by Arabkir Division of Investigations of Yerevan Department of Investigations under General Department of Investigations of the Police of the Republic of Armenia, pursuant to Clause 1, Part 3, Article 179 of the Criminal Code of the Republic of Armenia, upon the fact that Volodya Torgom Vardanyan committed theft in a particularly large amount.

With the decision of the investigator from June 2, 2008, Volodya Torgom Vardanyan was declared wanted for criminal prosecution purposes.

Based upon the materials of criminal case No. 14114408, a new criminal case was instigated on August 14, 2008, pursuant to Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia; this criminal case was taken under the examination of the investigator and it was assigned a No. 14125709.

With the decision of the investigator from August 24, 2009, criminal case No. 14114408 was combined with criminal case No. 14125709, and the preliminary investigation continued under No. 14125709.

On April 21, 2010, for the purpose of continuing the preliminary investigation, criminal case No. 14125709 was forwarded to the Department of Investigations of the National Security Service adjunct to the Government of the Republic of Armenia; on April 23, 2010, criminal case No. 14125709 was taken under the examination of the senior investigator for cases of special importance.

With the decision of the investigator from October 21, 2010, the part of the investigation, related to: the laundering of illicit proceeds in the amount of 176,000,000 Armenian drams, thieved from “Shengavit-A” LLC by Igor Aron Mandel and Inga Igor Mandel, in prior agreement with a group of persons; and the theft of “Shengavit-A” LLC shareholders’ assets in a particularly large amount of 176,000,000 Armenian drams by Inga Igor Mandel, in prior agreement with a group of persons, was discontinued on the grounds of finding no elements of crime.

With the decision of the investigator from November 3, 2010, the part of the criminal case, related to: the laundering of illicit proceeds in the amount of 176,000,000 Armenian drams, thieved from “Shengavit-A” LLC by Volodya Torgom Vardanyan, in a criminal agreement with Ashot Aleksan Hakobyan; the theft of “Shengavit-A” LLC shareholders’ assets in a particularly large amount of 176,000,000 Armenian drams in prior agreement with Ashot Aleksan Hakobyan and Igor Aron Mandel; the forging of “Shengavit-A” LLC shareholders’ meeting records from July 25, 2007, a document giving certain rights; the beating and insulting of Arman Ashot Hakobyan by Arman Volodya Vardanyan and Aram Volodya Vardanyan; and the inflicting of death threat against Igor Aron Mandel and Ashot Aleksan Hakobyan, was separated from criminal

case No. 14125709, and the preliminary investigation continued under the same number.

Charges were pressed against the accused, Ashot Aleksan Hakobyan, by the preliminary investigation authority, pursuant to Clause 1, Part 3, Article 178, Clause 1, Part 3, Article 190, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia, for the following actions: "Ashot Aleksan Hakobyan came to an agreement in May of 2007 with his acquaintance, Igor Aron Mandel, the latter being one of the 20 founders of "Shengavit-A" LLC, the 50.4% shareholder and director of "Shengavit-A" LLC", to steal the funds belonging to "Shengavit-A" LLC, which were supposed to be generated from renting out part of the company's premises, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to branch "Shengavit" of "HSBC Bank Armenia" CJSC. For the purpose of realizing this criminal idea, Ashot Aleksan Hakobyan and Igor Aron Mandel decided to engage Volodya Torgom Vardanyan into this case, a person having relevant knowledge in the field of economics and working as a founding director at "Evrofinans" LLC and "Irvagarant" LLC; they came to a criminal agreement and decided to tell the shareholders of the company as if the monthly income from renting out the premises to the bank was 700,000 Armenian drams, instead of the real figure of 2,450,000 Armenian drams. For the purpose of simplifying the developing crime and gaining immediate possession over the funds, Volodya Torgom Vardanyan advised to get the 10-year rent from the bank upfront and in one payment. After Igor Aron Mandel, Volodya Torgom Vardanyan, and Ashot Aleksan Hakobyan failed to come to an agreement on this issue with the representatives of the bank, they decided to take out a loan from the bank in an amount equal to the 10-year rent to be received from the bank. In the end of May of 2007, Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan participated in "Shengavit-A" LLC shareholders' general meeting, which was gathered upon the initiative of Igor Aron Mandel. Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan falsely told the shareholders of the company that the monthly rent of the premises to be collected from the bank was 700,000 Armenian drams. Ashot Aleksan Hakobyan and Igor Aron Mandel told the shareholders of the company that Volodya Torgom Vardanyan had adequate knowledge in the field of economics and proposed to have this person act as an authorized person of the company in the transaction to be conducted with the bank. Igor Aron Mandel, together with the other shareholders of the company, signed the shareholders' meeting record, which included a decision to rent out part of the drugstore premises of "Shengavit-A" LLC, with an area of 343.25 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to "HSBC Bank Armenia" CJSC. Igor Aron Mandel, together with the other shareholders of the company, issued a letter of attorney for Volodya Torgom Vardanyan to handle all the paperwork required for the completion of the transaction. Based on the shareholders' meeting record from May 21, 2007 and the letter of attorney from June 11, 2007, an agreement was signed on June 19, 2007 between Volodya Torgom Vardanyan and the representative of "HSBC Bank Armenia" CJSC on renting out the foregoing premises to the bank with a term of 10 years and a monthly rent of 2,450,000 Armenian drams; however, Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan presented a fake rent agreement to the shareholders of the company, indicating a monthly rent of 700,000 Armenian drams. Bringing a reason that the

company had to repay its debts, including the salaries of employees-shareholders and tax liabilities, Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan persuaded the other shareholders of the company to pledge the whole premises of the company located at the foregoing address as collateral and to take out a loan from "HSBC Bank Armenia" CJSC, saying that an amount of 16,000,000 Armenian drams was required, subject to repayment in 23 months. Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan forged a shareholders' meeting record from July 25, 2007 with the signature of the latter and the fake signature of Anush Shmavon Nazaryan (a shareholder of the company), a fake official document giving certain rights, indicating as if the shareholders of the company had gathered a meeting and had decided to pledge the drugstore of the company, with an area of 508.1 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, as collateral at "HSBC Bank Armenia" CJSC in order to take out a loan in the amount of 193,407,000 Armenian drams. By means of using the foregoing fake document, Igor Aron Mandel, acting on behalf of "Shengavit-A" LLC, signed a bank service (loan) agreement and a real estate collateral (mortgage) agreement with "HSBC Bank Armenia" on July 25, 2007 and July 26, 2007, respectively, on taking out a loan in the amount of 193,407,000 Armenian drams, with a maturity of 10 years, with an annual interest rate of 9%, with the premises of the drugstore pledged as collateral, with a monthly repayment amount of 2,449,998 Armenian drams, and with a fake purpose as if the company needed funds to invest in capital expenditure for producing seismic pads. Thus, violating the provisions (including the ones specified under Article 48) of the Republic of Armenia Law on Limited Liability Companies, as well as the provisions of the statute of "Shengavit-A" LLC, Ashot Aleksan Hakobyan, together with Volodya Torgom Vardanyan, participated in a groundless large transaction conducted by Igor Aron Mandel on behalf of the company, without the relevant decision of "Shengavit-A" LLC shareholders' general meeting. Based on the signed agreements, on July 30, 2007, the underlying funds of this loan in the amount of 193,407,000 Armenian drams were transferred by "HSBC Bank Armenia" CJSC to the bank account of "Shengavit-A" LLC with the same bank. Afterwards, Ashot Aleksan Hakobyan, together with Igor Aron Mandel and Volodya Torgom Vardanyan, completed their criminal plan by transferring 176,000,000 Armenian drams out of the total amount of the funds underlying the loan to the bank account of "Evrofinans" LLC with "Prometey Bank" LLC on July 31, 2007, thus concealing the crime under groundless credit advancement agreements signed between "Shengavit-A" LLC and "Evrofinans" LLC and furtively thieving this particularly large amount of funds belonging to "Shengavit-A" LLC. On the next day, August 1, 2007, they transferred the remaining 16,020,700 Armenian drams to the bank account of "Shengavit-A" LLC with "Araratbank" OJSC. With an intention to conceal and disguise the true nature and ownership of the proceeds of theft, Ashot Aleksan Hakobyan came to an agreement with Volodya Torgom Vardanyan to convert the proceeds of theft available on the bank account of "Evrofinans" LLC and to transfer these funds to other bank accounts; afterwards, in the period from August 6, 2007 to January 23, 2008, Volodya Torgom Vardanyan transferred: 69,500,000 Armenian drams from the total proceeds of theft to his personal bank accounts (with 5 transactions and with a purpose of credit advancements); 37,385.000 Armenian drams to the personal bank account of Igor Aron Mandel's daughter, Inga Igor Mandel (with 3 transactions and with a purpose of

credit advancements); 505,000 Armenian drams to the personal bank account of his relative, Gagik Pargev Batikyan (with 2 transactions and with a purpose of credit advancements); 34,425,000 Armenian drams to the personal bank account of Ashot Aleksan Hakobyan (with 2 transactions and with a purpose of credit advancements); and 33,000,000 Armenian drams to bank account of "Khachvar" LLC, a company controlled by Ashot Aleksan Hakobyan. Afterwards, the funds transferred to the bank account of "Khachvar" LLC and another 3,000,000 Armenian drams were transferred (with participation of Volodya Torgom Khachatryan) to the bank account of "Rolfermer" LLC for the purpose of purchasing pipes. In the foregoing time period, Volodya Torgom Vardanyan exchanged part of the proceeds of theft transferred to his personal bank account into foreign currency, transferred these funds to his foreign currency bank account, and transferred part of these funds to the bank account of his relative, Anzhela Avagyan in Konstantinovka, Donetsk Region, Ukraine, while withdrawing the remaining part of the funds in cash from his bank accounts. Meanwhile, Ashot Aleksan Hakobyan received the 7,860,000 Armenian drams transferred to his bank account from the account of Volodya Torgom Vardanyan, withdrew in cash the balance of 42,285,000 Armenian drams available on his account and the 37,074,000 Armenian drams from the funds transferred to the personal bank account of Inga Igor Mandel, purchased real estate, located at 46/1 Ayvazovsky Str., Yerevan, Republic of Armenia, with this whole amount under a sales agreement signed on November 22, 2007 and registered this real estate as personal property, while indicating a price of only 48,000,000 Armenian drams in the sales agreement".

Charges were pressed against the accused, Igor Aron Mandel, by the preliminary investigation authority, pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia, for the following actions: "Igor Aron Mandel, being one of the 20 founders of "Shengavit-A" LLC, the 50.4% shareholder and director of "Shengavit-A" LLC", came to an agreement in May of 2007 with his acquaintance, Ashot Aleksan Hakobyan, on thieving the funds belonging to "Shengavit-A" LLC, which were supposed to be generated from renting out part of the company's premises, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to branch "Shengavit" of "HSBC Bank Armenia" CJSC. For the purpose of realizing this criminal idea, Igor Aron Mandel and Ashot Aleksan Hakobyan decided to engage Volodya Torgom Vardanyan into this case, a person having relevant knowledge in the field of economics and working as a founding director at "Evrofinans" LLC and "Irvagarant" LLC; they came to a criminal agreement and decided to tell the shareholders of the company as if the monthly income from renting out the premises to the bank was 700,000 Armenian drams, instead of the real figure of 2,450,000 Armenian drams. For the purpose of simplifying the developing crime and gaining immediate possession over the funds, Volodya Torgom Vardanyan advised to get the 10-year rent from the bank upfront and in one payment. After Igor Aron Mandel, Volodya Torgom Vardanyan, and Ashot Aleksan Hakobyan failed to come to an agreement on this issue with the representatives of the bank, they decided to take out a loan from the bank in an amount equal to the 10-year rent to be received from the bank. In the end of May of 2007, after gathering a shareholders' meeting, Igor Aron Mandel invited Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan to participate therein, where they falsely told the shareholders of the company that the monthly rent of the premises to be collected from the bank was 700,000 Armenian

drams. Igor Aron Mandel and Ashot Aleksan Hakobyan told the shareholders of the company that Volodya Torgom Vardanyan had adequate knowledge in the field of economics and proposed to have this person act as an authorized person of the company in the transaction to be conducted with the bank. Igor Aron Mandel, together with the other shareholders of the company, signed the shareholders' meeting record, which included a decision to rent out part of the drugstore premises of "Shengavit-A" LLC, with an area of 343.25 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to "HSBC Bank Armenia" CJSC. Igor Aron Mandel, together with the other shareholders of the company, issued a letter of attorney for Volodya Torgom Vardanyan to handle all the paperwork required for the completion of the transaction. Based on the meeting records from May 21, 2007 and the letter of attorney from June 11, 2007, an agreement was signed on June 19, 2007 between Volodya Torgom Vardanyan and the representative of "HSBC Bank Armenia" CJSC on renting out the foregoing premises to the bank with a term of 10 years and a monthly rent of 2,450,000 Armenian drams; however, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan presented a fake rent agreement to the shareholders of the company, indicating a monthly rent of 700,000 Armenian drams. Bringing a reason that the company had to repay its debts, including the salaries of employees-shareholders and tax liabilities, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan persuaded the other shareholders of the company to pledge the whole premises of the company located at the foregoing address as collateral and to take out a loan from "HSBC Bank Armenia" CJSC, saying that an amount of 16,000,000 Armenian drams was required, subject to repayment in 23 months. Igor Aron Mandel, together with Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan, forged a shareholders' general meeting record from July 25, 2007 with the signature of the former and the fake signature of Anush Shmavon Nazaryan (a shareholder of the company), a fake official document giving certain rights, indicating as if the shareholders of the company had gathered a meeting and had decided to pledge the drugstore of the company, with an area of 508.1 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, as collateral at "HSBC Bank Armenia" CJSC in order to take out a loan in the amount of 193,407,000 Armenian drams. By means of using the foregoing fake document, Igor Aron Mandel, acting on behalf of "Shengavit-A" LLC, signed a bank service (loan) agreement and a real estate collateral (mortgage) agreement with "HSBC Bank Armenia" on July 25 and July 26, 2007, respectively, on taking out a loan in the amount of 193,407,000 Armenian drams, with a maturity of 10 years, with an annual interest rate of 9%, with the premises of the drugstore pledged as collateral, with a monthly repayment amount of 2,449,998 Armenian drams, and with a fake purpose as if the company needed funds to invest in capital expenditure for producing seismic pads. Thus, violating the provisions (including the ones specified under Article 48) of the Republic of Armenia Law on Limited Liability Companies, as well as the provisions of the statute of "Shengavit-A" LLC, Igor Aron Mandel conducted a groundless large transaction on behalf of the company, without the relevant decision of "Shengavit-A" LLC shareholders' meeting. Based on the signed agreements, on July 30, 2007, the underlying funds of this loan in the amount of 193,407,000 Armenian drams were transferred by "HSBC Bank Armenia" CJSC to the bank account of "Shengavit-A" LLC with the same bank. Afterwards, Igor Aron Mandel, Ashot Aleksan

Hakobyan, and Volodya Torgom Vardanyan completed their criminal plan by transferring 176,000,000 Armenian drams out of the total amount of the funds underlying the loan to the bank account of "Evrofinans" LLC with "Prometey Bank" LLC on July 31, 2007, thus concealing the crime under groundless credit advancement agreements signed between "Shengavit-A" LLC and "Evrofinans" LLC and furtively thieving this particularly large amount of funds belonging to "Shengavit-A" LLC. On the next day, August 1, 2007, they transferred the remaining 16,020,700 Armenian drams to the bank account of "Shengavit-A" LLC with "Araratbank" OJSC".

Factual circumstances established by the Court

Based on the court examination and the case information, the Court establishes the following:

The accused, Ashot Aleksan Hakobyan, came to an initial agreement in May of 2007 with his acquaintance, the accused, Igor Aron Mandel, the latter being the 50.4% shareholder and director of "Shengavit-A" LLC", as well as with the accused, Volodya Torgom Vardanyan (currently wanted for criminal prosecution purposes), a person having relevant knowledge in the field of economics and working as a founding director at "Evrofinans" LLC and "Iravagarant" LLC, and decided to thieve the funds belonging to "Shengavit-A" LLC, which were supposed to be generated from renting out part of the company's premises, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to branch "Shengavit" of "HSBC Bank Armenia" CJSC. They decided to tell the shareholders of the company as if the monthly income from renting out the premises to the bank was 700,000 Armenian drams, instead of the real figure of 2,450,000 Armenian drams. For the purpose of simplifying the developing crime and gaining immediate possession over the funds, Volodya Torgom Vardanyan advised to get the 10-year rent from the bank upfront and in one payment. After Igor Aron Mandel, Volodya Torgom Vardanyan, and Ashot Aleksan Hakobyan failed to come to an agreement on this issue with the representatives of the bank, they decided to take out a loan from the bank in an amount equal to the 10-year rent to be received from the bank and to thieve these funds. In the end of May of 2007, gathering a shareholders' meeting, Igor Aron Mandel invited Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan to participate therein, where they falsely told the shareholders of the company that the monthly rent of the premises to be collected from the bank was 700,000 Armenian drams. Igor Aron Mandel and Ashot Aleksan Hakobyan told the shareholders of the company that Volodya Torgom Vardanyan had adequate knowledge in the field of economics and proposed to have this person act as an authorized person of the company in the transaction to be conducted with the bank. Igor Aron Mandel, together with the other shareholders of the company, signed the shareholders' meeting record, which included a decision to rent out part of the drugstore premises of "Shengavit-A" LLC, with an area of 343.25 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to "HSBC Bank Armenia" CJSC. Igor Aron Mandel, together with the other shareholders of the company, issued a letter of attorney for Volodya Torgom Vardanyan to handle all the paperwork required for the completion of the transaction on behalf of "Shengavit-A" LLC. Based on the meeting record from May 21, 2007 and the letter of attorney from June 11, 2007, an agreement was signed on June 19, 2007 between Volodya Torgom

Vardanyan and the representative of "HSBC Bank Armenia" CJSC on renting out the foregoing premises to the bank with a term of 10 years and a monthly rent of 2,450,000 Armenian drams. At that, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan presented a fake rent agreement to the shareholders of the company, indicating a monthly rent of 700,000 Armenian drams. Bringing a reason that the company had to repay its debts, including the salaries of employees-shareholders and tax liabilities, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan persuaded the other shareholders of the company to pledge the whole premises of the company located at the foregoing address as collateral and to take out a loan from "HSBC Bank Armenia" CJSC, saying that an amount of 16,000,000 Armenian drams was required, subject to repayment in 23 months. In reality, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan forged a shareholders' meeting record from July 25, 2007 with the signature of the latter and the fake signature of Anush Shmavon Nazaryan (a shareholder of the company), a fake official document giving certain rights, indicating as if the shareholders of the company had gathered a meeting and had decided to pledge the drugstore of the company, with an area of 508.1 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, as collateral at "HSBC Bank Armenia" CJSC in order to take out a loan in the amount of 193,407,000 Armenian drams. By means of using the foregoing fake document, Igor Aron Mandel, acting on behalf of "Shengavit-A" LLC, signed a bank service (loan) agreement and a real estate collateral (mortgage) agreement with "HSBC Bank Armenia" CJSC on July 25 and July 26, 2007, respectively, on taking out a loan in the amount of 193,407,000 Armenian drams, with a maturity of 10 years, with an annual interest rate of 9%, with the premises of the drugstore pledged as collateral, with a monthly repayment amount of 2,449,998 Armenian drams, and with a fake purpose as if the company needed funds to invest in capital expenditure for producing seismic pads. Based on the signed agreements, on July 30, 2007, the underlying funds of this loan in the amount of 193,407,000 Armenian drams were transferred by "HSBC Bank Armenia" CJSC to the bank account of "Shengavit-A" LLC with the same bank. Afterwards, on July 31, 2007, they transferred 176,000,000 Armenian drams out of the total amount of the funds underlying the loan to the bank account of "Evrofinans" LLC with "Prometey Bank" LLC, thus furtively thieving this particularly large amount of funds belonging to "Shengavit-A" LLC. On the next day, August 1, 2007, they transferred the remaining 16,020,700 Armenian drams to the bank account of "Shengavit-A" LLC with "Araratbank" OJSC. With an intention to conceal and disguise the true nature and ownership of the proceeds of theft, Ashot Aleksan Hakobyan came to an agreement with Volodya Torgom Vardanyan to convert the proceeds of theft available on the bank account of "Evrofinans" LLC and to transfer these funds to other bank accounts. Afterwards, in the period from August 6, 2007 to January 23, 2008, Volodya Torgom Vardanyan transferred: 69,500,000 Armenian drams from the total proceeds of theft to his personal bank accounts (with 5 transactions and with a purpose of credit advancements); 37,385,000 Armenian drams to the personal bank account of Igor Aron Mandel's daughter, Inga Igor Mandel (with 3 transactions and with a purpose of credit advancements); 505,000 Armenian drams to the personal bank account of his relative, Gagik Pargev Batikyan (with 2 transactions and with a purpose of credit advancements); 34,425,000 Armenian drams to the personal bank account of Ashot

Aleksan Hakobyan (with 2 transactions and with a purpose of credit advancements); and 33,000,000 Armenian drams to bank account of "Khachvar" LLC, a company controlled by the Ashot Aleksan Hakobyan. Afterwards, the funds transferred to the bank account of "Khachvar" LLC and another 3,000,000 Armenian drams were transferred by Ashot Aleksan Hakobyan (with participation of Volodya Torgom Khachatryan) to the bank account of "Rolfermer" LLC for the purpose of purchasing pipes. In the foregoing time period, Volodya Torgom Vardanyan exchanged part of the proceeds of theft transferred to his personal bank account into foreign currency, transferred these funds to his foreign currency bank account, and transferred part of these funds to the bank account of his relative, Anzhela Avagyan, who lived in Konstantinovka, Donetsk Region, Ukraine, while withdrawing the remaining part of the funds in cash from his bank accounts. Meanwhile, Ashot Aleksan Hakobyan received the 7,860,000 Armenian drams transferred to his bank account from the account of Volodya Torgom Vardanyan, withdrew in cash the balance of 42,285,000 Armenian drams available on his account and the 37,074,000 Armenian drams from the funds transferred to the personal bank account of Inga Igor Mandel, purchased real estate, located at 46/1 Ayvazovsky Str., Yerevan, Republic of Armenia, with this whole amount under a sales agreement signed on November 22, 2007 and registered this real estate as personal property, while indicating a price of only 48,000,000 Armenian drams in the sales agreement.

Civil petitions were filed against the accused by the victims, Karine Onik Ghazaryan, Arusyak Boris Avetisyan, Anush Shmavon Nazaryan, Melanya Mantash Nazaryan, Nazik Vahag Tadevosyan, Aziz Vladimir Stepanyan, Alvard Hakob Arzumanyan, Rima Ruben Aghajanova, and Nina Arshavir Poghosyan; according to the petitions, the victims demanded that an amount of 4,563,780 (four million five hundred sixty-three thousand seven hundred eighty) Armenian drams be confiscated on the principle of severity from each one of the accused, Ashot Aleksan Hakobyan and Igor Aron Mandel, for the benefit of the victims, as a compensation of losses caused as a result of the crime.

The results of examining the personal characteristics of the accused and the factors mitigating or aggravating the liability and the punishment established that the accused, Ashot Aleksan Hakobyan, had no prior convictions, and the accused, Igor Aron Mandel, was 70 years old, had poor health, being a 3rd degree handicap with the following illnesses: ischemic heart disease, post infarction atherosclerotic cardio sclerosis, exertional angina, 2nd and 3rd degree mitral insufficiency, cardiac glaring dysrhythmia, chronic bilateral pyelonephritis, numerous kidney cysts on both sides, 3rd degree arterial hypertension with periodic hypertensive crises, 2nd degree atherosclerotic and post apoplectic 2nd degree hypertensive encephalopathy, right-side pyramidal insufficiency, thyroid adenoma, deforming osteochondrosis in chest area of the spine, had no prior convictions, had caused losses with his actions to a company, where he held more than half of the shares and had received no factual gain as a result of his actions.

Examination and assessment of evidence

The circumstances established by the Court are proved with the following evidences:

The victim, Karine Onik Ghazaryan, testified that she was one of the shareholders of this company and had been working at “Shengavit-A” LLC since 1981. In 1996, the drugstore was privatized by the 24 employees of the company. The director of the company, Igor Aron Mandel, acquired 40% of the shares, while each one of the other employees acquired 2.6% of the shares. After a while, the director’s 40% share became 50.4%. Much later, only 9 employees stayed with the company, not counting the director.

In the summer of 2007, Igor Aron Mandel introduced Ashot Aleksan Hakobyan to her and other employees of the company, presenting the latter as an intelligent and business-oriented man, who, together with the relative of the latter, Volodya Torgom Vardanyan, was capable of pulling their company out of the severe economic conditions. The idea was that part of their drugstore was supposed to be rented out to “HSBC Bank Armenia” CJSC. They were told during the conversation that Volodya Torgom Vardanyan, who was supposed to be introduced to them later, was going to handle the foregoing transaction. At that time, no monetary figures were mentioned. They said that they would clarify the amount of the rent and would tell them the figure later. It was decided that the shareholders of the company would gather a meeting within a week, where Igor Aron Mandel and Ashot Aleksan Hakobyan would introduce Volodya Torgom Vardanyan to them, and they would discuss the details of the rent agreement. On the set date, Igor Aron Mandel and the other 9 shareholders of the company, including Arusyak Boris Avetisyan, Anush Shmavon Nazaryan, Melanya Mantash Nazaryan, Nazik Vahag Tadevosyan, Aziz Vladimir Stepanyan, Alvard Hakob Arzumanyan, Rima Ruben Aghajanova, Nina Arshavir Poghosyan, and her, gathered together in the premises of the drugstore. Igor Aron Mandel and Ashot Aleksan Hakobyan introduced Volodya Torgom Vardanyan to them. Since the latter had a copy of the rent agreement with him, he read the provisions of the agreement to them. According to one of the provisions, their company was going to rent out part of the premises to the bank for a monthly rent of 700,000 Armenian drams and for a term of 10 years. In response to their question on the rent being small, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan assured them that the amount of rent was just, since the bank was going to renovate the premises, and the amount of the rent was to be reviewed after two years, growing into a significant amount. Ashot Aleksan Hakobyan also assured them that the rent was going to be 700,000 Armenian drams. On the same day, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan told them that they were going to come to an agreement with the bank on taking out a loan in the amount of 16,000,000 Armenian drams and with a maturity of 23 months, by means of pledging the premises as collateral at the bank. All three of them persuaded them that this was a good solution to repay the company’s debts and make the necessary expenditures. The rent agreement (she could not say whether it was the original copy or just a photocopy) was left with the shareholders for one day in order for them to examine the agreement and decide whether or not they were going to give their consent. After three of them left, all shareholders got familiar with the rent agreement, made a photocopy of it, and gave the initial copy to Igor Aron Mandel on the next day. Since they had worked with Igor Aron Mandel for 30 years, they believed and trusted him, and gave their consent to the proposed conditions.

On the next day, Igor Aron Mandel and Ashot Aleksan Hakobyan came to the drugstore, provided them with the already compiled shareholders' meeting record, which indicated that they were going to rent out the premises of the drugstore. The shareholders' meeting record did not state the amount of the rent. They were also provided with already complied letters of attorneys, which indicated that they were authorizing Volodya Torgom Vardanyan to conduct transactions with the foregoing bank on behalf of the shareholders. They signed the shareholders' meeting record and the letters of attorney.

After about a week, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan came to the drugstore with the loan agreement. They proposed to sign the agreement, saying that any delays would lead to the cancelling of the transaction. The loan agreement indicated a loan in the amount of 16,000,000 Armenian drams. All the shareholders put their signatures against their names indicated on the last page of the agreement, and Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan quickly left the drugstore. In the future, they took out a loan in the amount of 193,000,000 Armenian drams, out of which only 16,000,000 Armenian drams were meant for them; the rest of the amount was thieved. Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan defrauded them by assuring as if the premises were rented out to the bank for a monthly rent of 700,000 Armenian drams and a loan in the amount of 16,000,000 Armenian drams with an annual interest rate of 9% was taken out from the bank.

(Trial records: volume 1, case pages 132-133; volume 2, case pages 255-258; volume 8, case page 215)

The victim, Karine Onik Ghazaryan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 3, case pages 93-96; volume 10, case pages 78-79)

The victim, Arusyak Boris Avetisyan, testified that she worked at the drugstore, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, since 1980, which was privatized in 1996. The director of the company, Igor Aron Mandel, acquired 40% of the shares, while each one of the other employees acquired 2.6% of the shares.

In March or April of 2007, when Ashot Aleksan Hakobyan came to their drugstore again, Ashot Aleksan Hakobyan and Volodya Torgom Hakobyan told them during the work shift that "HSBC Bank Armenia" CJSC had proposed to rent part of the premises of their drugstore. At that time, they did not mention the amount of the rent and said that they should gather a shareholders' meeting in the future to discuss that option. Ashot Aleksan Hakobyan and Igor Aron Mandel introduced Volodya Torgom Vardanyan to them, indicating that the latter had an audit firm and would handle the rent procedures. After that, Ashot Aleksan Hakobyan periodically visited the drugstore. She, together with the other shareholders, periodically inquired about issues related to the rent, including the monthly amount. In the beginning, Igor Aron Mandel told them that the amount of the rent was going to be 7,000 US dollars; in another case, some of the shareholders, Aziz Vladimir Stepanyan, Anush Shmavon Nazaryan, Karine Onik Ghazaryan, and Melanya Mantash Nazaryan, recalled that when Igor Aron Mandel had told them this amount, Ashot Aleksan Hakobyan had become

angry at Igor Aron Mandel, saying that the latter could not remember two numbers and could not differentiate 7,000 US dollars from 700,000 Armenian drams. Igor Aron Mandel made a correction to his words and assured that the rent was going to be 700,000 Armenian drams.

On May 21, 2007, a shareholders' meeting took place in the drugstore in the presence of Ashot Aleksan Hakobyan, Volodya Torgom Vardanyan, and the 10 shareholders of the company. Karine Onik Ghazaryan was appointed as the secretary of the meeting, and Igor Aron Mandel was appointed as the chairman of the meeting. Volodya Torgom Vardanyan presented the agreement at once, which indicated that their company was renting out part of their premises of their drugstore to the foregoing bank for a monthly rent of 700,000 Armenian drams and a term of 10 years. This agreement was signed and sealed by the bank and their company. She wanted to read the agreement, but Volodya Torgom Vardanyan said that he had no time for that. She understood that the agreement was already signed by the bank. She saw that a monthly rent of 700,000 Armenian drams was indicated in the agreement. She expressed an opinion that she could not believe that the amount of the rent was so low and that it was supposed to be several times higher than that. Volodya Torgom Vardanyan, Ashot Aleksan Hakobyan, and Igor Aron Mandel explained that the rent was a profitable solution, since the company's financial position was going to improve significantly, the bank was to renovate the premises of the drugstore, and the amount of the rent was to be reviewed after two years, growing into a significant amount. She demanded that a photocopy of the agreement be left with them. At first, Volodya Torgom Vardanyan was against this, but she claimed her position again, and the agreement was eventually photocopied. They kept the photocopy, while Volodya Torgom Vardanyan took the initial copy.

After a few days, Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan came to the drugstore and provided letters of attorney to the 10 shareholders of the company. With the first document, they were authorizing Volodya Torgom Vardanyan to handle the transaction of renting out the premises to the bank on behalf of the shareholders, and with the second document, they were authorizing Igor Aron Mandel to undertake the role of the company's director for a term of 5 years. They signed the letters of attorney, as well as the already compiled shareholders' meeting record, which indicated that the shareholders were giving their consent to rent out part of the premises of their drugstore to the bank. The shareholders' meeting record did not state the amount of the rent. Having no knowledge in law, they could not comprehend that this could lead to something bad.

A few days after that, Igor Aron Mandel came to the drugstore together with Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan. They proposed to take out a loan from the same bank and to use the underlying funds for repaying the company's debts. They emphasized that the loan could be taken out by means of pledging the premises of the drugstore as collateral at the bank. She proposed to talk to the management of the bank in order to receive a few months' rent upfront. They replied that it would not be possible. They had similar conversations a few times again in the presence of Ashot Aleksan Hakobyan. The latter, Igor Aron Mandel, and Volodya Torgom Vardanyan claimed that the amount of the loan would be 16,000,000 Armenian drams, which the company would use to repay its debts. She expressed her

position of being against the idea of taking out a loan with pledging collateral. Eventually, they managed to persuade all shareholders of the company, including her, to take out a loan with a maturity of 23 months. For a while, she did not go to work. Igor Aron Mandel called her on the phone and told her that they had prepared the loan agreement, that all shareholders, except for her, had already signed it, and that the transaction would be cancelled if she did not sign it in one of those days. On the next day, she went to the drugstore, where she met Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan. The latter handed the agreement to her and told her to sign it immediately. She read the agreement, which indicated that the amount of loan provided to them was 16,000,000 Armenian drams, and the loan had a maturity of 23 months. She saw the signatures put against the information of their company's shareholders on the last page, where she also put her signature against her information. She could remember that the seal of their company was put on the agreement, but she could not recall whether or not the agreement was sealed by the bank. After signing the agreement she tried to make a photocopy of it, but Volodya Torgom Vardanyan pulled the agreement out of her hand and left the drugstore, saying that he was in a hurry.

After a few days, one of the shareholders called her on the phone and said that the underlying funds of the loan in the amount of 16,000,000 Armenian drams were transferred to their bank account. From this amount, 6,000,000 Armenian drams were used to pay their salaries, while the remaining amount of the funds was used to pay the company's debts. Afterwards, when the criminal case was instigated, all shareholders were informed that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams. This was how Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan defrauded them.

(Trial records: volume 1, case pages 169-171; volume 2, case pages 259-262)

The victim, Arusyak Boris Avetisyan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 92-94; 114-115)

The victim, Anush Shmavon Nazaryan, testified that she worked at the drugstore, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, since May of 1982, which was later privatized in 1996. She was a 2.6% shareholder of the company. In the beginning of May or June of 2007, Igor Aron Mandel, who was the director of the company, told all the shareholders that he was going to rent out part of the premises of their drugstore to "HSBC Bank Armenia" CJSC, without mentioning the amount of the rent. After a few days, Igor Aron Mandel told them that a shareholders' meeting had to be gathered in order to discuss that question. Igor Aron Mandel gathered a shareholders' meeting, which was participated by the 10 shareholders of the company, as well as by Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan. Igor Aron Mandel introduced Ashot Aleksan Hakobyan as a friend of his family and Volodya Torgom Vardanyan as the relative of the latter. Igor Aron Mandel was appointed as the chairman of the meeting, and Karine Onik Ghazaryan was appointed as the secretary of the meeting. In the beginning, Igor Aron Mandel discussed the question of renting out part of the premises of their drugstore to the bank. The

shareholders raised a question on the amount of the rent; Igor Aron Mandel replied that the amount of the rent was going to be 7,000 US dollars per month. However, Ashot Aleksan Hakobyan corrected the latter, saying that it was wrong, since the monthly rent was going to be 700,000 Armenian drams and not 7,000 US dollars. Igor Aron Mandel corrected himself and agreed with the figure announced by Ashot Aleksan Hakobyan. They opposed the amount of the rent, but Ashot Aleksan Hakobyan explained that the premises of the drugstore were to be renovated at the expense of the bank and if no agreement was reached, the bank would rent different premises. Since the company was in debts and in need for funds, they gave their consent to the proposal. On that day, a shareholders' meeting record was not compiled.

On the next day, upon the instruction of Igor Aron Mandel, they gathered together with 10 shareholders in the drugstore again. Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan also joined them therein. The latter brought the shareholders' meeting record (typed and printed) from the day before, which indicated that the shareholders had decided to rent out part of the premises of their drugstore to the bank. The amount of the rent was not mentioned in the shareholders' meeting record, and none of the shareholders demanded that it be mentioned therein, since nobody could imagine that problems would arise in the future. The shareholders signed the shareholders' meeting record, which Volodya Torgom Vardanyan took with him and left.

About 10 days later, in June of 2007, Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan came to the drugstore. Volodya Torgom Vardanyan was introduced as an intelligent man, and it was decided that this person would handle the transaction related to the renting out of the premises to the bank. They gave their consent, authorizing Volodya Torgom Vardanyan to handle the related transactions. She could not remember whether or not a written letter of attorney was issued. After 20-25 days, they gathered together with the shareholders again. Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan also joined them in the drugstore. It was one of these two persons or Igor Aron Mandel who proposed to pledge the premises of the drugstore as collateral at the bank and to take out a loan in the amount of 16,000,000 Armenian drams and with a maturity of 23 months. Volodya Torgom Vardanyan had a document, where they were supposed to put their signatures in evidence of their consent to take out a loan from the bank. This was a typed document, which did not mention the amount of the loan. The shareholders insisted on including the amount of the loan into this document in their presence, and Volodya Torgom Vardanyan indicated 16,000,000 Armenian drams as the amount of the loan. All the shareholders, except for Arusyak Boris Avetisyan, gave their consent and signed this document. Since all of them signed, Arusyak Boris Avetisyan felt pressured to sign the document as well. The latter wanted to photocopy the document, but Volodya Torgom Vardanyan pulled the document out of her hand and left the drugstore immediately. She was aware that 16,000,000 Armenian drams were transferred to the bank account of their company after a while; she learned later that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams. This was how Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan defrauded them.

She did not sign “Shengavit-A” LLC shareholders’ meeting record from July 25, 2007, which indicated as if it was decided to take out a loan in the amount of 193,407,000 Armenian drams from the bank, and the signature put against her information in that forged document did not belong to her.

(Trial records: volume 3, case pages 185-186)

The victim, Anush Shmavon Nazaryan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 89-91; 123-124)

The victim, Aziz Vladimir Stepanyan, testified that she had been working at the drugstore, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, and privatized in 1996, since 1987. The director of the company, Igor Aron Mandel, acquired 40% of the shares, while each one of the other employees acquired 2.6% of the shares. In June of 2007, Igor Aron Mandel gathered a shareholders’ meeting. As a shareholder, she was also present at the meeting. According to the company’s statute, she was a 2.6% shareholder; however, about 7-8 years ago, one of the shareholders of the company, named Bavakan (she could not recall the last name of the latter), who resided in the United States of America, transferred her 2.6% shares, for which she gave 604,000 Armenian drams to the husband of the latter, Gagik, in Yerevan, Republic of Armenia. Being authorized by his wife, Gagik signed a document on transferring his wife’s shares and gave this document to her.

Igor Aron Mandel introduced Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan to them during the shareholders’ meeting. At that, Igor Aron Mandel indicated that Ashot Aleksan Hakobyan was a friend of his family and that Volodya Torgom Vardanyan was the relative of the latter, who, being the owner of an audit firm, was going to handle the accounting of their company. During the meeting, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan proposed to rent out part of premises of their drugstore to “HSBC Bank Armenia” CJSC, in order to generate funds for stabilizing the economic standing of the company. At that time, nothing was mentioned about the amount of the rent. All shareholders, including Igor Aron Mandel, Nazik Vahag Tadevosyan, Arusyak Boris Avetisyan, Aziz Vladimir Stepanyan Anush Shmavon Nazaryan, Rima Ruben Aghajanova, Melanya Mantash Nazaryan, Alvard Hakob Arzumanyan, Nina Arshavir Poghosyan, and her, agreed to give their consent to the proposal in case the conditions would be acceptable. A shareholders’ meeting record was compiled. She did not remember by whom and how this document was compiled, but she recalled that all shareholders signed this document, giving their consent to rent out part of the premises of their drugstore to the foregoing bank.

After about a week, when Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan were in the drugstore, they raised a question for Igor Aron Mandel on the amount of the rent. Igor Aron Mandel replied that the premises were going to be rented out for 7,000 US dollars per month. Ashot Aleksan Hakobyan interrupted the conversation at that point and told Igor Aron Mandel: “Why can’t you differentiate 700,000 Armenian drams from 7,000 US dollars? If you can’t speak Armenian, then don’t say anything”. They understood that the amount of the rent was going to be 700,000 Armenian drams.

After another week, Igor Aron Mandel presented them with the rent agreement, which carried a seal of a company the name of which she did not pay attention to. A monthly rent of 700,000 Armenian drams was stated in the agreement. In fact, the rent agreement was already signed, and they did not present any objections to Igor Aron Mandel. After a few days, Igor Aron Mandel and Volodya Torgom Vardanyan presented a document (signed with the foregoing bank and their company) to the shift of the employees working at the drugstore at the moment; according to this agreement, the bank was providing a loan to their company in the amount of 16,000,000 Armenian drams, with an annual interest of 9%, and with a maturity of 23 months. The two of them explained that the company's debts would be repaid and the necessary drugs would be purchased with the funds underlying the loan, thus improving the company's financial standing; after 23 months, they would be actually receiving the rent payments. This agreement was left on Igor Aron Mandel's desk for a few days, when all the shareholders working on different shifts eventually put their signatures thereon. Ashot Aleksan Hakobyan had no conversations with her regarding the loan and was not present, except for the case mentioned above.

In the end of April or the beginning of May of 2008, after Volodya Torgom Vardanyan disappeared, all the shareholders learned that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams.

(Trial records: volume 1, case pages 164-166)

The victim, Aziz Vladimir Stepanyan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 80-81; 128-129)

The victim, Melanya Mantash Nazaryan, testified that she was one of the shareholders of the company and had been working as a pharmacist at "Shengavit-A" LLC since 1979. Ashot Aleksan Hakobyan, whom she knew as Igor Aron Mandel's (director of the company) friend, started to visit the drugstore more often from the moment when conversations started on renting out part of the premises of their drugstore to "HSBC Bank Armenia" CJSC. In the summer of 2007, when all shareholders of the company were present in the drugstore, Igor Aron Mandel and Ashot Aleksan Hakobyan proposed to rent out part of the premises of their drugstore to the bank, since the company was experiencing financial difficulties, indicating that the monthly rent was going to be 700,000 Armenian drams. Before that, when Igor Aron Mandel and Ashot Aleksan Hakobyan were in the drugstore, the former said that the monthly rent was going to be 7,000 US dollars, but the latter corrected him, saying that the former could not differentiate 7,000 US dollars from 700,000 Armenian drams and that the monthly rent was going to be 700,000 Armenian drams.

In the end of May of 2007 (she could not remember the exact date), Igor Aron Mandel gathered a shareholders' meeting, during which Igor Aron Mandel and Ashot Aleksan Hakobyan introduced Volodya Torgom Vardanyan as a prominent accountant, saying that the latter was capable of properly handling the process of renting out the premises to the bank. Volodya Torgom Vardanyan presented them with an agreement or a template of it, which indicated that part of the premises of their drugstore was rented out or was going to be rented out to the bank for a term of 10 years and a

monthly rent of 700,000 Armenian drams. She could not remember whether or not the agreement was already signed and sealed. Arusyak Boris Avetisyan, being one of the shareholders, demanded that the agreement be photocopied; after that, she took the agreement to a photocopy booth, got the photocopy and kept it. Bringing a reason as if to avoid gathering every time because of the requirement to sign every single document by all shareholders, Igor Aron Mandel proposed to authorize Volodya Torgom Vardanyan with the right to act as the representative of the company in the transactions to be conducted with the bank. The question of taking out a loan from the bank (for the purpose of stabilizing the company's financial position) by means of pledging the premises of the drugstore as collateral was also discussed during the shareholders' meeting. The amount of the loan was not mentioned in that conversation. After one or two days, Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan came to the drugstore again. Volodya Torgom Vardanyan brought in the already printed shareholders' meeting record and the foregoing letter of attorney. The shareholders got familiar with these typed documents and put their signatures thereon, thus authorizing Volodya Torgom Vardanyan to handle the transaction with the bank on behalf of the company. The shareholders' meeting record did not state the amount of the loan to be taken from the bank.

In the middle of June of 2007, Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan came to the drugstore and, together with Igor Aron Mandel, started to persuade the shareholders of the company to take out a loan from the bank in the amount of 16,000,000 Armenian drams by means of pledging the premises of the drugstore as collateral. Igor Aron Mandel, Volodya Torgom Vardanyan, and Ashot Aleksan Hakobyan emphasized that a loan in the amount of 16,000,000 Armenian drams, with a maturity period of 23 months and an annual interest rate of 9%, was needed. They assured that it was a good solution to stabilize the business. All the shareholders, except for Arusyak Boris Avetisyan, gave their consent to this proposal.

After a few days, Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan came to the drugstore again. Volodya Torgom Vardanyan presented them with an already typed agreement, which indicated that the company was taking out a loan from the bank in the amount of 16,000,000 Armenian drams. Up to the last point, Arusyak Boris Avetisyan refused to sign the agreement, but since all shareholders gave their consent and signed the agreement, she also signed it eventually. Arusyak Boris Avetisyan demanded that this document be photocopied as well, but Volodya Torgom Vardanyan did not allow that, saying that he was in a hurry.

In July, their company was granted a loan in the amount of 16,000,000 Armenian drams, which was used to repay the outstanding debts. The bank rented the premises. The shareholders demanded that Igor Aron Mandel provide them with the photocopy of the loan repayment schedule, but the latter refused, saying that this document was with Volodya Torgom Vardanyan, who was responsible for conducting the required accounting transactions. After the criminal case was instigated, they were informed that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams. They understood that Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan had defrauded them.

(Trial records: volume 9, case pages 57-60)

The victim, Melanya Mantash Nazaryan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 97-99; 139-140)

The victim, Nina Arshavir Poghosyan, testified that she was one of the shareholders of the company and had been working as a pharmacist at “Shengavit-A” LLC since 1980. She had known Ashot Aleksan Hakobyan since 2007 as an acquaintance of Igor Aron Mandel’s (director of the company). In May of 2007, a shareholders’ meeting was gathered, participated by Ashot Aleksan Hakobyan and the relative of the latter, Volodya Torgom Vardanyan. On that day, they discussed the question of renting out part of the premises of their drugstore to “HSBC Bank Armenia” CJSC. Igor Aron Mandel and Ashot Aleksan Hakobyan said that Volodya Torgom Vardanyan was going to take over the accounting of the company and was going to handle the process of renting out the premises to the bank. During the meeting, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan told them that the monthly rent was going to be 700,000 Armenian drams and persuaded them that this income would significantly stabilize the financial standing of the company. Volodya Torgom Vardanyan showed an agreement (as far as she could remember, it already had some kind of a seal on it), which indicated that the amount of the monthly rent was 700,000 Armenian drams. They gave their consent to the presented conditions. On the next day, all shareholders gathered together again, and Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan joined them again in the drugstore. Volodya Torgom Vardanyan presented them with a typed letter of attorney, which the shareholders signed, thus authorizing Volodya Torgom Vardanyan to handle the process of renting out the premises to the bank on behalf of the company. They signed another letter of attorney, authorizing Igor Aron Mandel to perform the duties of the company’s director. On the same day, they also signed the shareholders’ meeting record, thus giving their consent to rent out the premises of the company to the bank. After a while, they gathered together with all shareholders again. Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan came to the drugstore again. They raised a question of taking out a loan from the same bank by means of pledging the premises of the company as collateral, indicating that a loan in the amount of 16,000,000 Armenian drams, with a maturity of 23 months and, an annual interest rate of 9%, was needed. They provided a loan-related document to the shareholders, who signed and returned it. The document indicated that the amount of the loan was 16,000,000 Armenian drams.

In 2008, when the criminal case was instigated, she learned that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams.

(Trial records: volume 9, case pages 61-64)

The victim, Nina Arshavir Poghosyan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 105-106; 130)

The victim, Alvard Hakob Arzumanyan, testified that she was one of the shareholders of the company and had been working as a pharmacist at “Shengavit-A” LLC since

1982. She had known Ashot Aleksan Hakobyan since 2007 as a friend of Igor Aron Mandel's (director of the company). In May of 2007, Igor Aron Mandel introduced Ashot Aleksan Hakobyan to the other 9 shareholders of the company due to the occasion of renting out part of the premises of their drugstore to "HSBC Armenia Bank" CJSC. Starting from that day, Ashot Aleksan Hakobyan periodically visited the drugstore and participated in numerous discussions and conversations. Igor Aron Mandel and Ashot Aleksan Hakobyan introduced Volodya Torgom Vardanyan to them, saying that the latter was going to take over the accounting of the company and was going to handle the process of renting out the premises to the bank.

In the end of May of 2007, they gathered for a shareholders' meeting, where Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan told them that part of the premises of their drugstore was going to be rented out, generating a monthly rent of 700,000 Armenian drams. A few days before that, in her presence, Igor Aron Mandel had declared that the monthly rent was going to be 7,000 US dollars, but Ashot Aleksan Hakobyan had corrected the latter, saying that the monthly rent was going to be 700,000 Armenian drams. During the shareholders' meeting, Volodya Torgom Vardanyan showed an agreement (she could not remember whether or not it was signed and sealed), which indicated that the amount of the monthly rent was 700,000 Armenian drams. On the next day, the shareholders gathered together again. Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan came to the drugstore, and Volodya Torgom Vardanyan provided them with a typed letter of attorney, which they signed, thus authorizing Volodya Torgom Vardanyan to handle the process of renting out the premises to the bank on behalf of the company. They also signed the shareholders' meeting record, thus giving their consent to rent out part of the premises of their drugstore to the bank. After a few days, Volodya Torgom Vardanyan provided them with another letter of attorney, which they signed, thus authorizing Igor Aron Mandel to perform the duties of the company's director.

After a while, the shareholders gathered together again. Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan raised a question on taking out a loan in the amount of 16,000,000 Armenian drams by means of pledging the premises of the drugstore as collateral. Volodya Torgom Vardanyan provided an agreement to the signature of the shareholders, which indicated that the amount of the loan to be taken out was 16,000,000 Armenian drams. Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan claimed that this amount of the loan was just enough for the company to solve many questions. They tried to photocopy the agreement, but Volodya Torgom Vardanyan did not let them to, saying that he was in a hurry. Much later, when the criminal case was instigated, she learned from the investigator that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams.

(Trial records: volume 9, case pages 66-69)

The victim, Alvard Hakob Arzumanyan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 105-106; 130)

The victim, Nazik Vahag Tadevosyan, testified that she was one of the shareholders of the company and had been working as a pharmacist at “Shengavit-A” LLC since 1981. Starting from the beginning of 2007, Ashot Aleksan Hakobyan periodically visited their drugstore together with their director, Igor Aron Mandel. She had an impression that he was Igor Aron Mandel’s close friend. In the end of May of 2007, Igor Aron Mandel and Ashot Aleksan Hakobyan introduced Volodya Torgom Vardanyan to them as a representative of an audit firm and a relative of Ashot Aleksan Hakobyan’s. The three of them proposed the shareholders of the company to rent out part of the premises of their drugstore to “HSBC Bank Armenia” CJSC. On that day nothing was mentioned about the amount of the rent. Since Igor Aron Mandel had told them about the upcoming shareholders’ meeting, all 10 shareholders of the company were present at this meeting. After Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan left, Igor Aron Mandel responded to their inquiries by saying that the approximate amount of the monthly rent was going to be 7,000 US dollars.

In the beginning of June of 2007, Igor Aron Mandel gathered a shareholders’ meeting, which was also participated by Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan. The chairman of the meeting was Igor Aron Mandel, and the secretary of the meeting was Karine Onik Ghazaryan. Volodya Torgom Vardanyan declared during the meeting that the foregoing bank was ready to pay a monthly rent of 700,000 Armenian drams for the premises of their drugstore. The shareholders expressed their dissatisfaction with the small amount of the rent. Before that, Ashot Aleksan Hakobyan had interrupted the quarrel between Igor Aron Mandel and the other shareholders of the company, saying that Igor Aron Mandel had made a mistake by declaring that the amount of the rent was going to be 7,000 US dollars, since this was going to 700,000 Armenian drams per month. Since the company was experiencing financial difficulties, they gave their consent to rent out part of the premises of their drugstore to the bank for a monthly rent of 700,000 Armenian drams. Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan assured and promised that the amount of the rent would be reviewed after two years, growing into a significant amount. On that day, the shareholders did not sign any documents, not even the shareholders’ meeting record. Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan came to the drugstore on the next day, presenting an agreement, which indicated that their company was renting out part of the premises of their drugs store to the foregoing bank for a monthly rent of 700,000 Armenian drams and a contractual term of 10 years. She did not remember whether or not the agreement was signed. Arusyak Boris Avetisyan, being one of the shareholders, took the agreement and made a photocopy of it. All shareholders put their signatures against their information on the agreement. Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan took the signed agreement and left. The shareholders authorized Volodya Torgom Vardanyan to handle the process of renting out the premises of their drugstore to the bank on behalf of the company. After two or three days, Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan came to the drugstore again and proposed to take out a loan from the bank by means of pledging the premises of the drugstore as collateral. They proposed to take out a loan for a term of 5 years, but the shareholders agreed to take out a loan in the amount of 16,000,000 Armenian drams and with a maturity of 23 months. On the next day, the foregoing three persons came to the drugstore again

and brought in a loan agreement with them. She could not remember whether or not this agreement was sealed. The shareholders read the agreement, put their signatures on the last page, but Volodya Torgom Vardanyan did not allow them to make a photocopy of it.

In the end of April of 2008, Igor Aron Mandel told the shareholders in the drugstore that Volodya Torgom Vardanyan had withdrawn 60,000,000 Armenian drams from the bank account of the company and fled. In response to their question on how that large amount was generated on the bank account of the company, Igor Aron Mandel said that he did not know anything about that. Much later, when the criminal case was instigated, she learned from the investigator that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams.

(Trial records: volume 8, case pages 88-89)

The victim, Nazik Vahag Tadevosyan, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 86-88; 121-122)

The victim, Rima Ruben Aghajanova, testified that that she was one of the shareholders of the company and had been working as a pharmacist at "Shengavit-A" LLC since 1965. She had known Ashot Aleksan Hakobyan since 2007 as a friend of Igor Aron Mandel's (director of the company). In May of 2007, Igor Aron Mandel introduced Ashot Aleksan Hakobyan to the other 9 shareholders of the company due to the occasion of renting out part of the premises of their drugstore to "HSBC Armenia Bank" CJSC. In May of 2007, Igor Aron Mandel and Ashot Aleksan Hakobyan introduced Volodya Torgom Vardanyan to them, saying that the latter was going to take over the accounting of the company and was going to handle the process of renting out the premises to the bank.

In the end of May of 2007 (she could not remember the exact date), they gathered for a shareholders' meeting, where Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan told them that part of the premises of their drugstore was going to be rented out, generating a monthly rent of 700,000 Armenian drams, and proposed them to support that solution. During the shareholders' meeting, Volodya Torgom Vardanyan showed an agreement (as far as she could remember, the agreement included some kind of a seal on it), which indicated that the amount of the monthly rent was 700,000 Armenian drams. They gave their consent to this condition. On the next day, the shareholders gathered together again in the presence of Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan. The latter provided them with a typed letter of attorney, which they signed, thus authorizing Volodya Torgom Vardanyan to handle the process of renting out the premises to the bank on behalf of the company. On the same day, they also signed the shareholders' meeting record, thus giving their consent to rent out part of the premises of their drugstore to the bank.

After a while, the shareholders gathered together again. Igor Aron Mandel, Ashot Aleksan Hakobyan, and Volodya Torgom Vardanyan raised a question on taking out a loan in the amount of 16,000,000 Armenian drams by means of pledging the premises

of the drugstore as collateral. They provided a loan agreement to the signature of the shareholders, which the shareholders signed. The loan agreement indicated that the amount of the loan was 16,000,000 Armenian drams. Ashot Aleksan Hakobyan, Igor Aron Mandel, and Volodya Torgom Vardanyan assured them that this amount of the loan was going to be beneficial for the company. Volodya Torgom Vardanyan did not let them make a photocopy of this agreement. In 2008, when the criminal case was instigated, the shareholders learned that the amount of the rent was 2,450,000 and not 700,000 Armenian drams and that the amount of the loan was 193,000,000 and not 16,000,000 Armenian drams.

(Trial records: volume 9, case pages 70-73)

The victim, Rima Ruben Aghajanova, confirmed her testimony in the course of the face-to-face interrogations with Ashot Aleksan Hakobyan and Igor Aron Mandel.

(Trial records: volume 10, case pages 103-104; 141)

The witness, Inga Igor Mandel, testified that she was a doctor, a radiologist, worked as an assistant at the X-Ray Diagnosis Division of the National Institute for Advancing Doctors' Professionalism after Professor Avdalbekyan and as a Head of X-Ray Division of Surb Astvatsamayr Medical Center. Igor Aron Mandel was her father, who had been working as a director of the drugstore No. 8, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, since 1971. The drugstore was privatized in 1996, re-organizing into "Shengavit-A" LLC, the director of which was her father. She had known Ashot Aleksan Hakobyan since 2003-2004, and they were close with families. She had seen Volodya Torgom Vardanyan at Ashot Aleksan Hakobyan's house a few times before during celebrations. She learned that the premises of the drugstore were rented out to "HSBC Bank Armenia" CJSC in July of 2007 and that Volodya Torgom Vardanyan persuaded her father to get the 10-year rent upfront in order to invest these funds into ForEx transactions and gain profits. The amount of the loan was 190,000,000 Armenian drams, whereas 16,000,000 Armenian drams from this total amount were transferred to the bank account of "Shengavit-A" LLC, while the remaining 176,000,000 Armenian drams were transferred to the bank account of "Evrofinans" LLC.

In November of 2007, together with Ashot Aleksan Hakobyan, they met Volodya Torgom Vardanyan, who refused to repay the interests accrued on this investment, saying that this had to be repaid after 6 months. This led to a suspicion that Volodya Torgom Vardanyan could defraud them, and they decided to gradually return all the funds. With 3 transactions, she received 5,000,000, 15,000,000, and 16,000,000 Armenian drams on her bank account, and with another 3 transactions, Ashot Aleksan Hakobyan received a total of 41,000,000 Armenian drams on his bank account. She had no association with this transaction. She learned from her father and Ashot Aleksan Hakobyan that part of the premises of the drugstore was rented out to "HSBC Bank Armenia" CJSC in the summer of 2007 and that a loan was taken out from the bank. She learned that her father trusted Volodya Torgom Vardanyan to take over the accounting and financial matters of the company, but Volodya Torgom Vardanyan, who was introduced to her father by Ashot Aleksan Hakobyan as an intelligent and reliable person, had defrauded them and thieved a large portion of the underlying funds of the loan. She neither knew the amount of the rent nor the amount of the

loan. She was not present in the related conversations and discussions with the company's shareholders and knew nothing about that. Neither Ashot Aleksan Hakobyan nor her father told her any details about this transaction at that time. She learned about that much later, in the end of April of 2008, when Volodya Torgom Vardanyan's sons began to terrify and threaten Ashot Aleksan Hakobyan, her father, and her. At that time, Ashot Aleksan Hakobyan told her that part of the premises of the drugstore was rented out to "HSBC Bank Armenia" CJSC for a monthly rent of 2,450,000 Armenian drams and a loan in the amount of 190,000,000 Armenian drams was taken out from the bank; Volodya Torgom Vardanyan thieved the largest portion of the funds and disappeared. When withdrawing the foregoing funds in cash from her bank account, she was not aware which company these funds were transferred from. She opened her account with the bank in 2006. In all the three cases, Ashot Aleksan Hakobyan asked her to withdraw the funds in cash from her bank account, without indicating either the originator or the purpose of these transfers. She did not fall into details, thinking that Ashot Aleksan Hakobyan was a business-oriented person and the funds had to be associated with the entrepreneurial activities of the latter. She gave all the funds withdrawn in cash to Ashot Aleksan Hakobyan. It was in the end of April of 2008, when she learned from Ashot Aleksan Hakobyan that the funds transferred to her bank account were the underlying funds of the loan taken out by "Shengavit-A" LLC. The latter told her that he had hardly managed to get these funds back from Volodya Torgom Vardanyan and that he had bought real estate in district Erebuni in order not to keep these funds at home and make a safe investment therewith, with an intention to get the remaining amount of the funds back from Volodya Torgom Vardanyan and to return the whole amount to "Shengavit-A" LLC. At that time, Ashot Aleksan Hakobyan told her that an amount equal to approximately 90,000,000 Armenian drams was still left with Volodya Torgom Vardanyan.

(Trial records: volume 1, case pages 167-168; volume 3, case pages 3-5; volume 10, case page 142)

The witness, Gagik Pargev Batikyan, testified that Volodya Torgom Vardanyan was his countryman from the same village. Besides, he was his sister's in-law. Through his years, he accumulated savings in the amount of 15,000 US dollars, which were to be spent for her daughter's engagement and wedding ceremonies, as well as for possible challenges in life. Sometime in the summer of 2007, he met Volodya Torgom Vardanyan in their village, who proposed to invest money and receive interests, saying that the investment was going to be made with the mediation of a bank. He gave his savings of 15,000 US dollars to Volodya Torgom Vardanyan, who returned the whole amount in the end of 2007. He received no interests associated with this amount, since Volodya Torgom Vardanyan explained that the reason for that was the early call of the latter to return the funds. Upon the advice of Volodya Torgom Vardanyan, he opened a bank account with "Prometey Bank" LLC, where Volodya Torgom Vardanyan transferred back the whole amount. He had no information on where had Volodya Torgom Vardanyan obtained these funds from or what crimes he had committed. He did not know the reason why Volodya Torgom Vardanyan had disappeared.

(Trial records: volume 4, case pages 100-102)

The witness, Almast Vachik Arevshatyan, testified that Ashot Aleksan Hakobyan was her husband. They had close relationship with the family members of Igor Aron

Mandel, whom she had known since 2005. Through her husband, Igor Aron Mandel got acquainted with Volodya Torgom Vardanyan, who was her cousin and an accountant himself. She knew that in the summer of 2007 Igor Aron Mandel had rented out the premises of the drugstore and had taken out a loan, while transferring 176,000,000 Armenian drams to the bank account of Volodya Torgom Vardanyan. Volodya Torgom Vardanyan periodically visited their house and always talked about ForEx transactions, indicating that it was a profitable business and large profits could be gained, if only sufficient funds were available. Volodya Torgom Vardanyan managed to persuade Ashot Aleksan Hakobyan to transfer Igor Aron Mandel's 176,000,000 Armenian drams to the bank account of "Evrofinans" LLC in order to invest these funds into ForEx transactions. During a conversation at their house, Volodya Torgom Vardanyan said that he had invested 38,000,000 and 17,000,000 Armenian drams into this business from the total amount; however, at another time, Volodya Torgom Vardanyan said that he had managed to invest only 110,000 US dollars from the total amount for a monthly interest rate of 4%. Volodya Torgom Vardanyan breached the oral agreement reached with her husband and did not return the interests after 3 months, while promising to do that after 6 months. Ashot Aleksan Hakobyan gave his consent; however, on February 4, 2008, Volodya Torgom Vardanyan and his son came to the front yard of their house at night, called Ashot Aleksan Hakobyan outside and told him that Khachik, one of their employees, was kidnapped and therefore they could not return the interests.

On February 15, 2008, she went to the house of Volodya Torgom Vardanyan together with her son-in-law in order to get explanations. Volodya Torgom Vardanyan asked to give them another 3 months in order to return the funds. At that time, Volodya Torgom Vardanyan said that Khachik was not kidnapped, but he was hiding because he could not arrange the investment. On behalf of her husband, she agreed to wait until May 6, 2008. As for the funds thieved in the amount of 7,000,000 Armenian drams, Volodya Torgom Vardanyan explained that he had taken these funds to help his godfather. She said nothing about this to her husband, thinking that Volodya Torgom Vardanyan would later return these funds to the bank in secret. However, she found out that her husband had learned about Volodya Torgom Vardanyan's actions long before her.

In the afternoon of April 26, 2008, Volodya Torgom Vardanyan's son, Arman Volodya Vardanyan, called them on the phone and threatened to kill all the members of their family, if they would not return his father. On April 27, 2008, Volodya Torgom Vardanyan's sons took her son somewhere, where Arman Volodya Vardanyan beat and insulted his son.

The witness, Almast Vachik Arevshatyan, refused to testify about her husband in the court.

(Trial records: volume 2, case pages 148-150)

The witness, Arman Volodya Vardanyan, testified that his father, Volodya Torgom Vardanyan, was the director of "Iravagarant" LLC and "Evrofinans" LLC. He was not aware what kind of activities "Evrofinans" LLC was engaged in, but he knew that "Iravagarant" LLC was providing accounting services. He was still a teenager when he first met Ashot Aleksan Hakobyan, who was the husband of his father's cousin. He had

known Igor Aron Mandel for only a year and had met him a few times in their office located at 3A Baghramyan Str., Yerevan, Republic of Armenia. Igor Aron Mandel came to the office together with Ashot Aleksan Hakobyan and his father. He knew that Igor Aron Mandel was a shareholder of "Shengavit-A" LLC, where his father was running the accounting. Ashot Aleksan Hakobyan was a shareholder of "Khachvar" LLC, where his father was also running the accounting. He knew that Igor Aron Mandel had rented out his premises to a bank and that a certain portion of the funds received in return was transferred to the bank account of "Iravagarant" LLC. However, he was not aware of the exact amount and purpose of the transfer. He only knew that no funds were left on the bank account of the company in the future.

On April 24, 2008, his father went outside and never returned again. After his father disappeared, his brother, Torgom Volodya Vardanyan, became the director of "Iravagarant" LLC, while his second brother, Aram Volodya Vardanyan, became the director of "Evrofinans" LLC. Being aware that his father had money-related problems with Ashot Aleksan Hakobyan, he, together with his wedding godfather, Vardan, went to Ashot Aleksan Hakobyan's house on April 27, 2008 in order to find out where his father was. Ashot Aleksan Hakobyan was not at home, but they met the son of the latter, Arman Ashot Hakobyan, who they walked together in the front yard. He asked Arman Ashot Hakobyan where his father was. Since he had heard from Ashot Aleksan Hakobyan's relative, Armen Sos Umrshatyan, that the former had threatened to kill Volodya Torgom Vardanyan and knowing that Ashot Aleksan Hakobyan had taken certain funds from his father without returning them, he had suspicions that Ashot Aleksan Hakobyan could have a possible association with his father's disappearance. During his conversation with Arman Ashot Hakobyan, an altercation sprung between them, but no insults were inflicted. Only three of them were present at that conversation.

On April 26, 2008, Vardan and he went to the front yard of Igor Aron Mandel's house and asked the latter to come outside. He asked the latter where his father was, but Igor Aron Mandel replied that he had no information about that. During this conversation, where only three of them were present, no altercation sprung and insults were inflicted. Afterwards, they applied to the police, reporting about his father's disappearance. Meanwhile, they continued to search for their father, but could not find out his location.

After a while, Arman Volodya Vardanyan testified that he was aware that 176,000,000 Armenian drams were transferred from "Shengavit-A" LLC to "Evrofinans" LLC and that these funds were advanced as credit for a term of 10 years without interest and not as credit for a term of one year with a monthly interest rate of 4%. After his father disappeared, he found the corresponding agreement signed between the two companies.

(Trial records: volume 1, case pages 96-99; volume 3, case pages 51-52, 206-207; volume 8, case pages 189-190; volume 9, case pages 19-20)

The witness, Arman Volodya Vardanyan, indicated in the course of the face-to-face interrogation with Ashot Aleksan Hakobyan on August 5, 2009 that he had witnessed the scene where Karapet Saribek Saghoyan had handed a package of US dollars to Ashot Aleksan Hakobyan in the office of his father, saying that there were 70,000 US

dollars therein. He entered his father's office and became an accidental witness of that scene; however, he could not remember when exactly that had happened. He could not recall whether or not Ashot Aleksan Hakobyan had taken these funds out of his father's office.

(Trial records: volume 4, case pages 127-131)

The witness, Karapet Saribek Saghoyan, testified that he had been working as a director at "Rolfermer" LLC since December 22, 2006, a company that was founded by his friend, Simon Elbakyan. In the beginning of September of 2007, his friend, Edik Garush Sahakyan, told him that "Hayjermughkoyughi" LLC had unused sewer pipes with 1,000 millimeters in diameter in the town of Dilijan, proposing to participate in the dismantling and selling of these pipes. He gave his consent to arrange the dismantling and selling of these pipes under the name of "Rolfermer" LLC. They applied to "Hayjermughkoyughi" LLC, proposing their participation in that process. On October 26, 2007, they signed an agreement with "Hayjermughkoyughi" LLC on dismantling and storing 5,700 meters of pipe located in the town of Dilijan. Before signing the agreement, they had to find a buyer, who would agree to make a prepayment for starting the preliminary works. With this proposal, they turned to his acquaintance, Ashot Frunze Petrosyan, who expressed his willingness to find a buyer for the pipes. Together with Ashot Frunze Petrosyan, they went to an office of Volodya Torgom Vardanyan, located at the beginning of Baghramyan Street in the city of Yerevan. Inside the office, they got acquainted with Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan and presented their proposal. Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan first wanted to see the pipes on site and then reach some kind of an agreement. He could not remember who drove them to Dilijan to show the pipes, but they later met in the same office again. Edik Garush Sahakyan, Ashot Aleksan Hakobyan, Volodya Torgom Vardanyan, his friend Ashot Frunze Petrosyan, and he were present at that meeting, where they discussed several questions related to the purchase of the pipes and decided to compile an agreement. On the next day, Volodya Torgom Vardanyan, his friend Ashot Frunze Petrosyan, and he read the agreement and noticed that all the conditions they had discussed the day before were written therein. He signed and sealed the agreement in the capacity of a representative of "Rolfermer" LLC (the seller), while Volodya Torgom Vardanyan signed and sealed in the capacity of a representative of "Khachvar" LLC (the buyer). On the next day, Volodya Torgom Vardanyan transferred 35,000,000 Armenian drams to the bank account of his company from a bank account held with "Converse Bank" CJSC. He withdrew the funds in cash and gave the whole amount to Edik Garush Sahakyan. After dismantling the pipes for 5 days, the works were terminated, and Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan were informed about this. At that time, the two of them proposed to return the funds. On the next day, Edik Garush Sahakyan, Zhora Harutyun Gevorgyan, and he went to the office located at 3A Baghramyan Street, Yerevan, Republic of Armenia, and Edik Garush Sahakyan returned 70,000 US dollars from the 35,000,000 Armenian drams to Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan. The amount was not returned in full, since part of it was spent on dismantling a portion of the pipes. They came to an agreement that Edik Garush Sahakyan would take back the money as soon as he got the permission to continue the dismantling, but such permission was not issued, and the

transaction was not completed. After Volodya Torgom Vardanyan disappeared, the sons of the latter, particularly Torgom Volodya Vardanyan, proposed him to return another 20,000 US dollars and prepare the necessary documents to evidence the full refund of the funds; however, he refused to do so.

(Trial records: volume 2, case pages 155-157; volume 3, case pages 276-278; volume 8, case pages 160-163; volume 9, case pages 124-126)

The witness, Karapet Saribek Saghoyan, confirmed his testimony on returning part of the money received for pipes to Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan in the course of the face-to-face interrogations with the foregoing two persons.

(Trial records: volume 3, case pages 281-285)

The witness, Edik Garush Sahakyan, testified in the course of preliminary investigation that he got acquainted with Karapet Saribek Saghoyan, the director of "Rolfermer" LLC, through Zhora Harutyun Gevorgyan. He earned his living by arranging pipe dismantling processes. In July-August of 2007, upon learning that the drainage pipes in the irrigation network of Dilijan were subject to dismantling, he came to an agreement with Karapet Saribek Saghoyan to arrange the dismantling and sale of the pipes through "Rolfermer" LLC. He got acquainted with Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan through Ashot Frunze Petrosyan, and the former two agreed to buy a large batch of pipes and make a prepayment for it. They personally went to Dilijan and saw the pipes on site. An agreement was signed between "Khachvar" LLC and "Rolfermer" LLC on buying and selling the pipes, indicating that "Rolfermer" LLC was going to sell a large batch of pipes to "Khachvar" LLC. Afterwards, an amount of 35,000,000 Armenian drams was transferred from the bank account of "Khachvar" LLC to the bank account of "Rolfermer" LLC and was later withdrawn in cash by Karapet Saribek Saghoyan and given to him in full. After receiving the permission to dismantle the pipes, he transported technical equipment to Dilijan and started the process of dismantling. After a few days of working, police officers terminated their works, and he returned an amount of 70,000 US dollars that was left with him to Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan, in the office of the latter. The remaining 11,000,000-12,000,000 Armenian drams were spent on dismantling a portion of the pipes. Zhora Harutyun Gevorgyan and Ashot Frunze Petrosyan witnessed the return of the funds. After counting and re-counting the 70,000 US dollars in the presence of the witnesses, Ashot Aleksan Hakobyan gave the funds to Volodya Torgom Vardanyan, who took the money and stored it in a safe box in his office. Afterwards, he did not manage to get permission to dismantle and sell the pipes, and the transaction was cancelled.

(Trial records: volume 9, case pages 118-121)

The witnesses, Zhora Harutyun Gevorgyan and Ashot Frunze Petrosyan, gave similar testimonies, indicating that in 2007, due to certain circumstances, they participated in the conversations and negotiations around the pipes sold by Edik Garush Sahakyan, related to the case where Edik Garush Sahakyan, through "Rolfermer" LLC controlled by Karapet Saribek Saghoyan, was going to sell pipes to "Khachvar" LLC. The buyer of the pipes was represented during these negotiations by Volodya Torgom Vardanyan, Ashot Aleksan Hakobyan, Karapet Saribek Saghoyan, and the two of them. They were

aware that Edik Garush Sahakyan was going to dismantle pipes from the drainage network of Dilijan and sell these pipes to Volodya Torgom Vardanyan and the companions of the latter. For this purpose, Volodya Torgom Vardanyan and the companions of the latter transferred funds to the bank account of "Rolfermer" LLC, and several agreements were signed to facilitate these transactions. Although funds were transferred to "Rolfermer" LLC, the dismantling works were terminated after only a portion of the pipes was dismantled. As a consequence, they witnesses in the office of Volodya Torgom Vardanyan how Edik Garush Sahakyan returned 70,000 US dollars to Volodya Torgom Vardanyan in the presence of Karapet Saribek Saghoyan and Ashot Aleksan Hakobyan. Ashot Aleksan Hakobyan demanded that they return the rest of the money, but Edik Garush Sahakyan replied that they had incurred certain expenditures for dismantling a portion of the pipes. Ashot Aleksan Hakobyan warned that Edik Garush Sahakyan could have serious problems if the letter would fail to return the remaining amount. No document was signed to evidence the return of these funds.

(Trial records: volume 8, case pages 166-169, 207-210)

The witness, Ashot Frunze Petrosyan, confirmed his testimony on returning part of the funds received for pipes to Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan in the course of the face-to-face interrogation with the later.

(Trial records: volume 9, case pages 8-14)

The witness, Armen Sos Umrshatyan, testified that Volodya Torgom Vardanyan was his nephew, whom he had a good relationship with. He had a similar relationship with Ashot Aleksan Hakobyan, the son-of-law of his aunt. Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan were in a good relationship and were engaged in joint entrepreneurial activities together. He had no interest in their financial matters, but he knew that Ashot Aleksan Hakobyan had advanced a large credit in the amount of approximately 160,000,000 Armenian drams to Volodya Torgom Vardanyan, whereas these funds belonged to a shareholder of "Shengavit-A" LLC.

In the fall of 2007, the relationship between Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan became tense because of financial issues. He tried to settle down their conflicts. In 2008, he managed to settle down an argument, and Volodya Torgom Vardanyan promised to refund the whole amount after completing a large transaction with buying and selling of pipes. On April 25, 2008, Volodya Torgom Vardanyan's sons, Arman Volodya Vardanyan, Aram Volodya Vardanyan, and Torgom Volodya Vardanyan, told him that their father had disappeared the previous day. Since Volodya Torgom Vardanyan had problems with only Ashot Aleksan Hakobyan, he called the latter in the presence of Volodya Torgom Vardanyan's sons and asked about the location of Volodya Torgom Vardanyan. Ashot Aleksan Hakobyan assured him that he knew nothing about that. They started to search for Volodya Torgom Vardanyan, but could not find out his location.

(Trial records: volume 1, case pages 111-113)

The witness, Anna Onik Grigoryan, testified that she took accounting courses in 2003 in the office of Volodya Torgom Vardanyan, located at 3A Baghramyan Str., Yerevan, Republic of Armenia; after completion, she was recruited to work as an accountant at

“Irvagarant” LLC. She worked at that company until August 1, 2007 and moved to work as an accountant at “Shengavit-A” LLC. In the summer of 2007, she got acquainted with Igor Aron Mandel, when the latter started to visit the office of “Irvagarant” LLC. She was recruited to work as an accountant at “Shengavit-A” LLC on the reference of Volodya Torgom Vardanyan. The latter and Igor Aron Mandel handled all the paperwork and the inbound-outbound transactions, while she compiled the financial reports by taking the numbers from the documents and extracts. She was told about the rent agreement signed by “Shengavit-A” LLC, but she had no association with the signing of the agreement and the further development of these transactions. She only handled the accounting records to satisfy the requirements of tax authorities. This transaction was handled by Volodya Torgom Vardanyan, and she did not know when the latter had started to handle the financial matters of “Shengavit-A” LLC. Last time she talked to Volodya Torgom Vardanyan was on April 23, 2008, when the latter told her that Igor Aron Mandel was going to come to their office on April 25, 2008 in order to seal the payment orders and asked her to be in the office in order to provide these payment orders to Igor Aron Mandel. Igor Aron Mandel came to the office in the morning of April 25, 2008, sealed the payment orders left by Volodya Torgom Vardanyan, and left the office after waiting for Volodya Torgom Vardanyan for a long time. Volodya Torgom Vardanyan never showed up in the office on that day. On the next day, she learned from Volodya Torgom Vardanyan’s sons that their father had disappeared.

(Trial records: volume 2, case pages 6-7)

According to the conclusion No. 10040909/31010909 of the forensic accounting examination from October 29, 2009, a loan in the amount of 193,407,000 Armenian drams was provided by “HSBC Armenia Bank” CJSC to “Shengavit-A” LLC for the contractual purpose of investing in capital expenditure for producing seismic pads; however, the bank did not monitor the real purpose of the funds, which were spent by the director of “Shengavit-A” LLC for purposes (as explained in the examination part of the conclusion) other than those specified in the loan agreement.

According to the rent agreement signed between “Shengavit-A” LLC and “HSBC Bank Armenia” CJSC, the object of the agreement, which was to rent out premises to the bank, served the interests of the statute and shareholders of “Shengavit-A” LLC, since the agreement was signed with a purpose of gaining profits and was based on the decision of the shareholders’ meeting. With a purpose of showing the other shareholders a smaller profit from renting out the premises, the director of “Shengavit-A” LLC presented a fake rent agreement (establishes by preliminary investigation), which indicated a monthly rent of 700,000 Armenian drams, instead of the real figure of 2,450,000 Armenian drams.

The loan provided by “HSBC Bank Armenia” CJSC to “Shengavit-A” LLC in the amount of 193,407,000 Armenian drams was not spent for the contractual purpose of investing in capital expenditure for producing seismic pads, but was spent by the borrower for the following purposes:

From the total amount of the loan (193,407,000 Armenian drams) provided for purposes specified in the loan agreement, an amount of 176,000,000 Armenian drams

was transferred from the bank account of “Shengavit-A” LLC with “HSBC Bank Armenia” CJSC to the bank account of “Evrofinans” LLC with “Prometey Bank” LLC.

From the total amount of the loan (193,407,000 Armenian drams) provided for purposes specified in the loan agreement, an amount of 16,000,000 Armenian drams was transferred from the bank account of “Shengavit-A” LLC with “HSBC Bank Armenia” CJSC to the bank account of “Shengavit-A” LLC with “Araratbank” CJSC, based on the payment order No. 2 from August 1, 2007.

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, a total amount of 69,500,000 Armenian drams was transferred (with a purpose of credit advancement) to Volodya Torgom Vardanyan’s personal bank account No. 1660000506240100, based on payment orders No. 7576 from August 6, 2007, No. 7 from September 4, 2007, No. 16 from November 8, 2007, No. 6 from November 21, 2007, and No. 12 from December 6, 2007.

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, a total amount of 37,385,000 Armenian drams was transferred by Volodya Torgom Vardanyan (with a purpose of credit advancement) to Inga Igor Mandel’s personal bank account No. 1660000487500100, based on payment orders No. 9 from August 9, 2007, No. 10 from October 1, 2007, and No. 15 from January 23, 2008.

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, a total amount of 34,425,000 Armenian drams was transferred by Volodya Torgom Vardanyan (with a purpose of credit advancement) to Ashot Aleksan Hakobyan’s personal bank account No. 00646250100, based on payment orders No. 11 from October 1, 2007, No. 14 from December 24, 2007, and No. 16 from January 23, 2008.

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, a total amount of 505,000 Armenian drams was transferred by Volodya Torgom Vardanyan (with a purpose of credit advancement) to Gagik Pargev Batikyan’s personal bank account No. 00503500100, based on payment orders No. 9 from October 1, 2007 and No. 12 from October 12, 2007.

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, a total amount of 33,000,000 Armenian drams was transferred by Volodya Torgom Vardanyan to the bank account of “Khachvar” LLC (a company controlled by Ashot Aleksan Hakobyan), based on payment orders from October 30, 2007 and from October 31, 2007; afterwards, from this account, 35,000,000 Armenian drams were transferred to the bank account of “Rolfermer” LLC for the purpose of purchasing pipes.

A total of 7,860,000 Armenian drams was transferred from Volodya Torgom Vardanyan’s personal bank account No. 00506340100 to Ashot Aleksan Hakobyan’s personal bank account No. 00646250100, based on payment order No. 01 from January 23, 2008.

Volodya Vardanyan transferred a total of 5,616,500 Armenian drams (in equivalence of 17,000 US dollars) from his bank account No. 1660000506240100 to his US dollar bank account No. 00506240101, added another 40,000 US dollars on the balance, transferred 24,000 US dollars to the bank account of Anzhela Avagyan in Konstantinovka, Donetsk Region, Ukraine, transferred a total of 5,000,000 Armenian drams to Gagik Pargev Batikyan's personal bank account, and received 37,000 US dollars back from his account, all transactions based on foreign exchange slips No. 35 from September 26, 2007 and No. 1276 from October 25, 2007, payment order No. 15 from November 8, 2007, cash withdrawal slip No. 1271 from October 25, 2007, cash deposit slips No. 7 from October 30, 2007, No. 327 from November 26, 2007, No. 25 from December 10, 2007, No. 623 from December 19, 2007, No. 415 from December 19, 2007, and No. 8003 from January 23, 2008.

Volodya Torgom Vardanyan withdrew a total of 58,782,500 Armenian drams from his personal bank account No. 1660000506240100, based on cash withdrawal slips No. 7578 from August 6, 2007, No. 25 from August 6, 2007, No. 8 from September 4, 2007, No. 13 from September 4, 2007, No. 6 from September 25, 2007, No. 37 from September 26, 2007, No. 12 from October 1, 2007, No. 9 from October 8, 2007, No. 16 from October 8, 2007, No. 392 from December 3, 2007, and No. 13 from December 6, 2007.

(Trial records: volume 9, case pages 74-96)

According to the conclusion No. 11830901 of the forensic hand-writing examination from May 7, 2009:

- the author of the writing "Mandel Igor", appearing on the line "Signature" under the text "Secretary" in the bottom left corner of the photocopy of shareholders' meeting record (the document was submitted to the examination on July 25, 2007), was Igor Aron Mandel;
- the author of the writing "Nazaryan Anush", appearing on the line "President" in the bottom right corner of the photocopy of shareholders' meeting record (the document was submitted to the examination on July 25, 2007), was not established, due to the small graphical material of the hand writing submitted to the examination;
- the signature, appearing on the line against the text "Chairman" in the bottom right corner of the photocopy of shareholders' meeting record (the document was submitted to the examination on July 25, 2007), and the samples of Anush Shmavon Nazaryan's signatures were not comparably examined, due to the absence of letter transcriptions in the signature submitted to the examination.

(Trial records: volume 3, case pages 291-295)

According to the conclusion No. 41160907 of the forensic product examination from February 11, 2010, the total market value of the real estate (buildings and land), located at 46/1 Ayvazovsky Str., Yerevan, Republic of Armenia and being the object of the examination, was appraised at 112,650,000 (hundred twelve million six hundred fifty thousand) Armenian drams (given the condition it was in during the examination) as of the date of the appraisal from November 22, 2007.

(Trial records: volume 9, case pages 127-135)

Material evidences:

“Shengavit-A” LLC shareholders’ meeting record from July 25, 2007, carrying a signature of Igor Aron Mandel and a fake signature of Anush Shmavon Nazaryan, indicated as if the shareholders of the company had gathered a meeting and decided to pledge the company’s drugstore, with an area of 508.1 square meters and located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, at “HSBC Bank Armenia” CJSC and to take out a loan in the amount of 193,407,000 Armenian drams.

(Trial records: volume 3, case page 162; volume 10, case page 206)

A photocopied fake agreement from June 19, 2007 was compiled on renting out the premises of “Shengavit-A” LLC to “HSBC Bank Armenia” CJSC for a monthly rent of 700,000 Armenian drams.

(Trial records: volume 1, case pages 202-206; volume 10, case page 206)

Real estate located at 46/1 Ayvazovsky Str., Yerevan, Republic of Armenia was purchased by Ashot Aleksan Hakobyan with the funds thieved from “Shengavit-A” LLC.

(Trial records: volume 9, case page 140)

According to the agreement signed between the representative of “HSBC Bank Armenia” CJSC and Volodya Torgom Vardanyan on June 19, 2007, part of the premises of the drugstore with an area of 343.25 square meters was rented out by “Shengavit-A” LLC to the bank, for a term of 10 years and a monthly rent of 2,450,000 Armenian drams.

(Trial records: volume 8, case pages 11-20; volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the loan (193,407,000 Armenian drams) provided for purposes specified in the loan agreement, an amount of 176,000,000 Armenian drams was transferred from the bank account of “Shengavit-A” LLC with “HSBC Bank Armenia” CJSC to the bank account of “Evrofinans” LLC with “Prometey Bank” LLC, based on payment order No. 2 from July 31, 2007.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the loan (193,407,000 Armenian drams) provided for purposes specified in the loan agreement, an amount of 16,000,000 Armenian drams was transferred from the bank account of “Shengavit-A” LLC with “HSBC Bank Armenia” CJSC to the bank account of “Shengavit-A” LLC with “Araratbank” CJSC, based on payment order No. 2 from August 1, 2007.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, a total amount of 69,500,000 Armenian drams was transferred (with a purpose of credit advancement) to Volodya Torgom Vardanyan’s personal bank account No. 1660000506240100, based on payment orders No. 7576 from August 6, 2007, No. 7

from September 4, 2007, No. 16 from November 8, 2007, No. 6 from November 21, 2007, and No. 12 from December 6, 2007.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of "Shengavit-A" LLC to the bank account of "Evrofinans" LLC, a total amount of 37,385,000 Armenian drams was transferred by Volodya Torgom Vardanyan (with a purpose of credit advancement) to Inga Igor Mandel's personal bank account No. 1660000487500100, based on payment orders No. 9 from August 9, 2007, No. 10 from October 1, 2007, and No. 15 from January 23, 2008.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of "Shengavit-A" LLC to the bank account of "Evrofinans" LLC, a total amount of 34,425,000 Armenian drams was transferred by Volodya Torgom Vardanyan (with a purpose of credit advancement) to Ashot Aleksan Hakobyan's personal bank account No. 00646250100, based on payment orders No. 11 from October 1, 2007, No. 14 from December 24, 2007, and No. 16 from January 23, 2008.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of "Shengavit-A" LLC to the bank account of "Evrofinans" LLC, a total amount of 505,000 Armenian drams was transferred by Volodya Torgom Vardanyan (with a purpose of credit advancement) to Gagik Pargev Batikyan's personal bank account No. 00503500100, based on payment orders No. 9 from October 1, 2007 and No. 12 from October 12, 2007.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

From the total amount of the funds (176,000,000 Armenian drams) transferred from the bank account of "Shengavit-A" LLC to the bank account of "Evrofinans" LLC, a total amount of 33,000,000 Armenian drams was transferred by Volodya Torgom Vardanyan to the bank account of "Khachvar" LLC (a company controlled by Ashot Aleksan Hakobyan), based on payment orders from October 30, 2007 and from October 31, 2007; afterwards, from this account, 35,000,000 Armenian drams were transferred to the bank account of "Rolfermer" LLC for the purpose of purchasing pipes.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

A total of 7,860,000 Armenian drams was transferred from Volodya Torgom Vardanyan's personal bank account No. 00506340100 to Ashot Aleksan Hakobyan's personal bank account No. 00646250100, based on payment order No. 01 from January 23, 2008.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

Volodya Vardanyan transferred a total of 5,616,500 Armenian drams (in equivalence of 17,000 US dollars) from his bank account No. 1660000506240100 to his US dollar bank account No. 00506240101, added another 40,000 US dollars on the balance, transferred 24,000 US dollars to the bank account of Anzhela Avagyan in

Konstantinovka, Donetsk Region, Ukraine, transferred a total of 5,000,000 Armenian drams to Gagik Pargev Batikyan's personal bank account, and received 37,000 US dollars back from his account, all transactions based on foreign exchange slips No. 35 from September 26, 2007 and No. 1276 from October 25, 2007, payment order No. 15 from November 8, 2007, cash withdrawal slip No. 1271 from October 25, 2007, cash deposit slips No. 7 from October 30, 2007, No. 327 from November 26, 2007, No. 25 from December 10, 2007, No. 623 from December 19, 2007, No. 415 from December 19, 2007, and No. 8003 from January 23, 2008.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

Volodya Torgom Vardanyan withdrew a total of 58,782,500 Armenian drams from his personal bank account No. 1660000506240100, based on cash withdrawal slips No. 7578 from August 6, 2007, No. 25 from August 6, 2007, No. 8 from September 4, 2007, No. 13 from September 4, 2007, No. 6 from September 25, 2007, No. 37 from September 26, 2007, No. 12 from October 1, 2007, No. 9 from October 8, 2007, No. 16 from October 8, 2007, No. 392 from December 3, 2007, and No. 13 from December 6, 2007.

(Trial records: volume 9, case pages 74-96; volume 10, case pages 207-211)

The accused, Ashot Aleksan Hakobyan, did not plead guilty in the charges pressed against him, refused to testify on the charges pressed against him in the course of preliminary investigation and claimed his prior testimony that he was the director of "Khachvar" LLC, located at 1 Charents Str., Yerevan, Republic of Armenia. Volodya Torgom Vardanyan was his wife's cousin, whom he knew since childhood and had a good relationship with. Starting from the day when his company was founded, Volodya Torgom Vardanyan worked therein as a deputy director responsible for accounting. The latter was also the director of "Evrofinans" LLC, "Iravagarant" LLC, and "Rusafil" LLC. As far as he knew, in the period from April 23 to May 1, 2008, Volodya Torgom Vardanyan re-registered "Evrofinans" LLC and "Iravagarant" LLC in the names of his sons, Arman Volodya Vardanyan, Aram Volodya Vardanyan, and Torgom Volodya Vardanyan. Volodya Torgom Vardanyan provided legal, advisory, accounting, registration, audit services, and taught accounting courses through these companies. He had known Igor Aron Mandel and the family members of the latter since 2005 and had a good relationship with them. He was the one who introduced Igor Aron Mandel and Volodya Torgom Vardanyan to each other. Igor Aron Mandel was the director of "Shengavit-A" LLC. In the summer of 2007, Igor Aron Mandel rented out part of his drugstore premises, located at 14 Bagratunyats Str., Unit 110, Yerevan, Republic of Armenia, to "HSBC Bank Armenia" CJSC for a term of 10 years. Volodya Torgom Vardanyan was aware of that. Since Volodya Torgom Vardanyan was an accounting specialist, he asked the latter to participate in the completion of this transaction. He introduced Volodya Torgom Vardanyan to Igor Aron Mandel as a reliable person. Although Igor Aron Mandel authorized Volodya Torgom Vardanyan to sign the foregoing agreement, this document was actually signed by Igor Aron Mandel in the presence and with the assistance of Volodya Torgom Vardanyan. Before signing the agreement, they came to an initial agreement with the representatives of the bank that the monthly rent would be an amount denominated in Armenian drams, but equivalent to 7,000 US dollars. At that, Volodya Torgom Vardanyan persuaded Igor Aron Mandel and him, saying that it would have been much better if they could get

the 10-year rent upfront at once, so that Volodya Torgom Vardanyan could invest these funds into ForEx transactions through "Evrofinans" LLC and provide a monthly income of 4%. Since Igor Aron Mandel had outstanding debts and Volodya Torgom Vardanyan's proposal sounded profitable, the former gave his consent and signed an agreement with Volodya Torgom Vardanyan. The 10-year rent was equal to 193,000,000 Armenian drams, which was transferred by the bank to the bank account of "Shengavit-A" LLC. Igor Aron Mandel repaid his debts by spending 16,000,000 Armenian drams from the total amount of the loan and transferred 38,000,000 Armenian drams from the remaining total of 176,000,000 Armenian drams to the ForEx account on August 6, 2007. At that, since Volodya Torgom Vardanyan had earned their absolute trust and washed their brains, they transferred 176,000,000 Armenian drams to the bank account of "Evrofinans" LLC on August 2, 2007. The second transfer to the ForEx account was made on September 4, 2007 in the amount of 17,000,000 Armenian drams. Thus, according to the calculations made by Igor Aron Mandel and him, Volodya Torgom Vardanyan had withdrawn 52,000,000 Armenian drams in cash from the total of 176,000,000 Armenian drams and used these funds, while the remaining amount was under their control. The balance on the account was supposed to be equal to 6,985,000 Armenian drams instead of the actual balance of 780,390 Armenian drams. When he met Volodya Torgom Vardanyan in January of 2008 and asked him to present a document on the balance of the bank account, the latter submitted a document showing a balance of 6,985,000 Armenian drams. In contrary, when he took a balance statement from the bank to check how much money was left, he found out that Volodya Torgom Vardanyan had defrauded him, since only a balance of 780,930 Armenian drams was left on the account. Before that, on November 6, 2007, he met Volodya Torgom Vardanyan to receive the 12,000 US dollars he had promised to return 3 months after receiving the large transfer; however, the latter breached their agreement and claimed that he was supposed to provide the funds after 6 months.

In the end of November of 2007, his friend Ashot Frunze Petrosyan, the friend of the latter, Artur Rafik Danielyan, and he went to the office of Volodya Torgom Vardanyan in order to ask questions about ForEx. In the office, they found Volodya Torgom Vardanyan, the son of the latter, Arman Volodya Vardanyan, and the employee of the office, Khachik, and discussed the foregoing question together, finding out that a profit of 10,000 US dollars was generated after 110,000 US dollars were invested in ForEx transactions for 6 months. Feeling that he was defrauded, he told Volodya Torgom Vardanyan that 6 months was going to expire on February 6, 2008 and that he might take the whole amount back; Volodya Torgom Vardanyan had nothing to oppose.

In the evening of February 4, 2008, Volodya Torgom Vardanyan came to their front yard with his son, Arman Volodya Vardanyan. They had a conversation outside, and Volodya Torgom Vardanyan said that his employee Khachik, who was responsible for investing in ForEx transactions, was kidnapped for money. He said that he did not care for that and he was waiting to get all the money back on the set date. On February 6, 2008, he met Volodya Torgom Vardanyan, who told him that he had no news from Khachik and that he had to find the latter in order to solve the question of returning the funds. On February 14, 2008, his son-in-law, Samvel, and his wife went to Volodya

Torgom Vardanyan's house to get clarifications on the question of returning the funds. The conversation took place between his wife, his son-in-law, Volodya Torgom Vardanyan, and the wife of the latter, Tsovik. Volodya Torgom Vardanyan told his wife that there was nothing to worry about and promised to return part of the funds before May 6, 2008. As a reason for not returning the funds on time, Volodya Torgom Vardanyan mentioned that he had transferred the funds to Vardan in Greece.

In the end of April of 2008, Volodya Torgom Vardanyan's relative, Armen Sos Umrshatyan, called him on the phone and said that Volodya Torgom Vardanyan had not come home for a few days already. Volodya Torgom Vardanyan's son, Arman Volodya Vardanyan, told him the same story, while accusing him in Volodya Torgom Vardanyan's disappearance. On April 26, 2008, Igor Aron Mandel called him on the phone and said that Volodya Torgom Vardanyan's son, Arman Volodya Vardanyan, and the friends of the latter had called him out of his house, insulted him with nasty words, told him to say where Volodya Torgom Vardanyan was, and threatened to revenge. Before that, he had not told Igor Aron Mandel about Volodya Torgom Vardanyan's fraudulent activities in order not to trouble the former, since he acknowledged that he was the initial reason for the transaction and he had to do everything to return the money, regardless of Volodya Torgom Vardanyan's willingness to return. In the evening of April 27, 2008, Volodya Torgom Vardanyan's other son furtively took his son to Tokhmakh Cemetery with other some other persons, where they beat his son and accusing him in Volodya Torgom Vardanyan's disappearance.

From the funds transferred to "Evrofinans" LLC, Volodya Torgom Vardanyan transferred 33,000,000 Armenian drams to the bank account of "Khachvar" LLC (a company under his control) on October 30, 2007, where Volodya Torgom Vardanyan worked as a deputy director. Afterwards, he transferred 35,000,000 Armenian drams from the bank account of "Khachvar" LLC to the bank account of "Rolfermer" LLC for purchasing pipes, pursuant to the agreement signed on buying and selling the pipes. His friend, Ashot Frunze Petrosyan, the acquaintance of the latter, Zhora Harutyun Gevorgyan, and he participated in the negotiations taken place between Karapet Saribek Saghoyan (director of "Rolfermer" LLC) and his employee, Edik Garush Sahakyan, on the question of buying and selling the pipes. In the office of Volodya Torgom Vardanyan, with the mediation of his friend, Ashot Frunze Petrosyan, Karapet Saribek Saghoyan and Edik Garush Sahakyan proposed to purchase about 5,000 meters of pipes with a diameter of 1,020 millimeters and a price of 22,000 Armenian drams per meter. After a few days, Volodya Torgom Vardanyan, Ashot Frunze Petrosyan, and he went to Dilijan and saw that the pipes were there. After a few days, Volodya Torgom Vardanyan called him on the phone and said that he had found a buyer for the pipes; afterwards, they signed an agreement with the director of "Rolfermer" LLC and transferred a prepayment of 35,000,000 Armenian drams to the company controlled by Karapet Saribek Saghoyan. They found out later that there were certain complaints related to the dismantling of the pipes and that the works were terminated, leading to the delay in getting the corresponding permission.

In the end of April of 2008, after Volodya Torgom Vardanyan's disappearance, he asked Ashot Frunze Petrosyan and Karapet Saribek Saghoyan to meet in order to clarify issues related to the agreement. At that time, he found out that the agreement

was actually signed between “Rolfermer” LLC and “Khachvar” LLC (a company under his control), and not between “Rolfermer” LLC and “Evrofinans” LLC. He had not signed that agreement and was not aware that Volodya Torgom Vardanyan had signed that. The agreement might even include his own signature, since not once had Volodya Torgom Vardanyan made him sign on blank papers for future use. No cash and no transfers from the funds provided for pipes were returned to them from either “Rolfermer” LLC or other persons, including Edik Garush Sahakyan.

During the face-to-face interrogation with Ashot Frunze Petrosyan in the course of preliminary investigation, Ashot Aleksan Hakobyan indicated that, although he was not a witness of that scene, he was aware that Edik Garush Sahakyan had returned part of the funds for pipes to Volodya Torgom Vardanyan. The latter had called him about 15 days after, saying that they wanted to take back the funds they had returned. He replied that Volodya Torgom Vardanyan was responsible and, thus, he could act as he wished. However, he advised to return the remaining amount rather than giving back the already returned funds. He could not remember the exact amount of the funds returned to Volodya Torgom Vardanyan and did not know how the latter had spent it, since the latter was the one responsible for financial matters.

Afterwards, in his other testimonies, Ashot Aleksan Hakobyan indicated that 176,000,000 Armenian drams were transferred from “Shengavit-A” LLC to “Evrofinans” LLC on the grounds of the agreement signed on July 25, 2007. Igor Aron Mandel, Volodya Torgom Vardanyan, each with a friend, and he were present when this agreement was signed. According to this agreement on advancing credit, “Evrofinans” LLC undertook an obligation to pay 4% of the transferred amount each month to “Shengavit-A” LLC. In fact, this agreement was breached, and “Shengavit-A” LLC filed a civil petition to the court, claiming the outstanding funds. As for the funds transferred (and subsequently withdrawn in cash) by “Evrofinans” LLC to his bank account, as well as to the bank accounts of Igor Aron Mandel, Ashot Aleksan Hakobyan indicated that he used these funds (about 78,000,000 Armenian drams in total), which he had managed to protect from Volodya Torgom Vardanyan, to buy real estate (buildings and land), located at 46/1 Ayyvazovsky Str., Yerevan, Republic of Armenia, in order to eventually return the funds to “Shengavit-A” LLC at the expense of this investment and the remaining amount to be received from Volodya Torgom Vardanyan.

He did not come to an agreement with anybody, did not steal funds, did not legalize any money, and did not forge any documents; rather, his actions were directed towards the disclosure of the actions committed by Volodya Torgom Vardanyan and the companions of the latter and towards the return of the funds stolen from “Shengavit-A” LLC and him. According to his position, no money laundering had occurred, since he had obtained the funds as a result of “Evrofinans” LLC advancing a credit to him and not as a result of illegal turnover of funds. No evidence was found in the criminal case to prove that he had forged any documents.

(Trial records: volume 1, case pages 65-70, 152-153, 172-173; volume 2, case pages 158-159, 236-237; volume 3, case pages 1-2, 48-50, 269-271, 279-280, 281-285; volume 8, case pages 197-199; volume 9, case pages 11-14, 15-16, 248-249, 258, 265-266, 269; volume 10, case pages 18, 168)

Igor Aron Mandel did not plead guilty in the charges pressed against him, refused to testify on the charges in the course of preliminary investigation, refused to testify in the course of court examination as well, but he answered the questions of the participants of the trial, indicating that the shareholders of the company were aware of what had happened and they had asked him to pledge their shares as collateral against the loan, so that they could take out a loan and receive their unpaid salaries that had accumulated during all those years. In reality, Volodya Torgom Vardanyan defrauded him and took away his funds in the amount of 176,000,000 Armenian drams. All the shareholders knew that the monthly rent was going to be 2,450,000 Armenian drams. Volodya Torgom Vardanyan was invited to handle the company's accounting without any salary. Volodya Torgom Vardanyan and he were present at the negotiations on renting out the premises of the drugstore to "HSBC Bank Armenia" CJSC. This bank provided them with a loan in the amount of 176,000,000 Armenian drams, from which they received only 16,000,000 Armenian drams, since the remaining 176,000,000 Armenian drams disappeared together with Volodya Torgom Vardanyan. He never saw Volodya Torgom Vardanyan again to demand the money back; he called Ashot Aleksan Hakobyan and asked him to ensure the return of the funds. During one of the meetings with shareholders of the company, Volodya Torgom Vardanyan mentioned about investing the funds in ForEx transactions and gaining profits; however, he could not remember what exactly the latter had proposed. He did not have any feelings of resentment towards his employees, who were the victims of these transactions, but their similar testimonies were explained with the fact that his employees had told him that they would take back their testimonies, if the latter would give away his shares. There was no other way he could explain why his employees had testified against him. Ashot Aleksan Hakobyan introduced Volodya Torgom Vardanyan as a reliable accountant, but he had no idea how he was going to repay the latter for his unpaid services. Although he had a good relationship with his daughter, Inga Igor Mandel, he was late in finding out that a portion of the thieved funds was transferred to the bank account of her daughter and was withdrawn in cash from this account. He was also late in finding out that Volodya Torgom Vardanyan had disappeared. Due to his illness, he could not remember any more details.

(Trial records: volume 10, case page 155)

Based on the petition of the counsel, the following persons testified as witnesses in the court:

The witness, Tigran Sahakyan, testified that he was the founder of "Irvagarant" LLC and had known Volodya Torgom Vardanyan since 2000. He had never heard of "Shengavit-A" LLC and he was not aware that this company had signed an agreement with "HSBC Bank Armenia" CJSC. He was not aware that an agreement was signed between "Shengavit-A" LLC and "Irvagarant" LLC and that funds were transferred from the bank account of "Shengavit-A" LLC to the bank account of "Irvagarant" LLC; Volodya Torgom Vardanyan was running the everyday operations of "Irvagarant" LLC and the latter had not told him anything about that. He was not aware of the other agreements signed by "Irvagarant" LLC. He was told by Volodya Torgom Vardanyan's sons that their father had disappeared, but he personally did not undertake any measures to find out where the latter was. He assigned Torgom Volodya Vardanyan as the director of "Irvagarant" LLC, but he did not supervise the actions of the latter.

(Trial records)

The witness, Gagik Lenik Margaryan, testified that he was the director of “Evrofinans” LLC, a company dealing in the foreign exchange market. Volodya Torgom Vardanyan, Eghishe, Khachik, and he were the founders of this company, which was registered in 2006 and dissolved in 2008. He was aware that Volodya Torgom Vardanyan had signed a credit advancement agreement with “Shengavit-A” LLC in 2007. In 2008, when Volodya Torgom Vardanyan disappeared, he found out that approximately 176,000,000 Armenian drams had been transferred to the bank account of “Evrofinans” LLC, but he was not aware where these funds were eventually transferred to by Volodya Torgom Vardanyan from the bank account of “Evrofinans” LLC. Volodya Torgom Vardanyan’s shares passed to the sons of the latter and a statement was signed to document these matters. He had never heard that Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan had an intention to thieve the funds transferred from “Shengavit-A” LLC.

(Trial records)

The witness, Artur Rafik Danielyan, testified that he knew Ashot Aleksan Hakobyan, Volodya Torgom Vardanyan, and the sons of the latter, since they were all from the same village. Since 2008, Volodya Torgom Vardanyan and he were in-laws. His only association with companies of Volodya Torgom Vardanyan was the time when Aram Volodya Vardanyan, the director of “Evrofinans” LLC, was abroad, and he temporarily undertook the functions of the latter. As an acting director, he did not get acquainted with the other shareholders and was not interested in their activities. He was familiar with some of the transactions conducted by the company, such as the agreement No. 17 and the cession agreement. He was not aware of the agreements signed between “HSBC Bank Armenia” CJSC and “Shengavit-A” LLC. During the time when he was serving as the acting director, the company did not conduct any financial transactions. He knew that Volodya Torgom Vardanyan had disappeared in April of 2008, but he had no further information. He had never threatened Ashot Aleksan Hakobyan. He knew the Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan were in a good relationship. In just one case, Torgom Volodya Vardanyan and he witnessed how Volodya Torgom Vardanyan and Ashot Aleksan Hakobyan had an intensive discussion, where Ashot Aleksan Hakobyan demanded that Volodya Torgom Vardanyan present a report, while the latter criticized the former for threatening some persons.

(Trial records)

The witness, Torgom Volodya Vardanyan, testified that he was Volodya Torgom Vardanyan’s son. His father disappeared on April 24, 2008. His father, Volodya Torgom Vardanyan, was the director of “Iravagarant” LLC, while Volodya Torgom Vardanyan and Tigran Sahakyan were the shareholders of this company. After becoming the director of the company, he learned about the activities of “Iravagarant” LLC, but he was not aware whether or not Tigran Sahakyan had personal involvement in the management of the company. He did not know the exact amount of the funds transferred from the bank account of “Shengavit-A” LLC to the bank account of “Evrofinans” LLC, while these funds were presumably subject to returning after 9-10 years. He was not aware of the agreement signed between “Shengavit-A” LLC and “HSBC Bank Armenia” CJSC and he did not know that his father was authorized by the

shareholders of “Shengavit-A” LLC to handle the rent transaction. He was not aware of any agreements signed by his father, “Shengavit-A” LLC, “Evrofinans” LLC, and “HSBC Bank Armenia” CJSC. With his written letter, he demanded that Ashot Aleksan Hakobyan return the credit advanced before its maturity and he was still claiming that Ashot Aleksan Hakobyan owed 42,435,000 Armenian drams to “Irvagarant” LLC. A verdict was issued by the Court of Cassation of the Republic of Armenia on this very question. He had never gone to the apartment of Igor Aron Mandel and had never threatened him.

Legal analysis by the Court

Upon analyzing the testimonies given in the course of preliminary and court investigations by the accused, Ashot Aleksan Hakobyan and Igor Aron Mandel, juxtaposing these testimonies with the evidences obtained and examined under the court examination, assessing the evidences from the standpoint of relevance, prudence, and sufficiency (in conjunction with all available evidences) to resolve the case, and with an internal determination that the evidences in conjunction were examined in a comprehensive, full, and objective matter, the Court establishes that the testimony of the accused: Ashot Aleksan Hakobyan, on having not committed fraud, having not legalized illicit proceeds, and having not forged documents; Igor Aron Mandel, on having not committed fraud and having not forged documents, are not truthful, are given with an intention to avoid criminal liability and punishment, and are denied by the evidences presented above.

Upon discussing the petition filed by the counsel on excluding the two documents (a photocopy of “Shengavit-A” LLC shareholders’ meeting record from July 25, 2007 and a photocopy of the agreement signed on June 19, 2007 between “Shengavit-A” LLC and “HSBC Bank Armenia” LLC on renting out premises to the latter for a monthly rent of 700,000 Armenian drams) from the list of evidences and considering these two documents unacceptable evidence due to the fact that these documents were only available in photocopies, the Court establishes that such a petition is groundless and shall be refused for the following reason:

According to Article 104 of the Criminal Procedure Code of the Republic of Armenia: “1. In criminal cases, a fact shall be considered evidence, if it can be used, in a matter provided by law, by the inquest body, the investigator, the prosecutor, and the court to determine whether or not the crime has been committed, whether or not the crime has been committed by the accused, or whether or not the accused is guilty or innocent, as well as other circumstances relevant to the case (...).”

According to Article 115 of the Criminal Procedure Code of the Republic of Armenia: “1. An object shall be considered material evidence if it is the instrumentality of crime, preserves traces of crime, is the object of criminal actions, is the illicit proceeds of crime, is a valuable or a document, which can serve as means to disclose the crime, determine the factual circumstances, expose the offender, prove a person's innocence, or mitigate the liability (...).”

According to Article 122 of the Criminal Procedure Code of the Republic of Armenia: “1. An object shall be considered a document if it is a record registered on a paper,

electronic or other media made in verbal, digital, graphic or other sign/symbol form, which can provide information relevant to the criminal case. 2. Documents with qualities mentioned in the first part of Article 115 of the Code may also serve as material evidence (...)"

The two documents, "Shengavit-A" LLC shareholders' meeting record from July 25, 2007 and the agreement signed on June 19, 2007 between "Shengavit-A" LLC and "HSBC Bank Armenia" LLC on renting out premises to the bank for a monthly rent of 700,000 Armenian drams, are considered (in compliance with the procedure established under the criminal-judicial laws) material evidence with the decision of the authority running the examination, the context of these documents relates to the object being proved within the criminal case, these evidences are acceptable and relevant. These evidences have been examined in compliance with proper legal procedures in the course of court examination; for these reasons, the foregoing petition filed by the counsel shall be subject to refusal.

Upon analyzing the charges pressed against the accused, Ashot Aleksan Hakobyan and Igor Aron Mandel, the testimonies given by the accused, and the evidences obtained in the scope of the criminal case, the Court establishes that:

- the particularly large intentional fraud, as committed by the accused, Ashot Aleksan Hakobyan, is proven; the offence is rightfully identified and corresponds to the elements specified under Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia;
- the intentional conversion and transfer of particularly large illicit proceeds, knowing the criminal nature of the proceeds and intending to conceal and disguise the illicit origin of the proceeds, as committed by the accused, Ashot Aleksan Hakobyan, is proven; the offence is rightfully identified and corresponds to Clause 1, Part 3, Article 190 of the Criminal Code of the Republic of Armenia;
- the intentional forging of an official document giving certain rights, in prior agreement with a group of persons, as committed by the accused, Ashot Aleksan Hakobyan, is proven; the offence is rightfully identified and corresponds to Part 2, Article 325 of the Criminal Code of the Republic of Armenia;
- the particularly large intentional fraud, as committed by the accused, Igor Aron Mandel, is proven; the offence is rightfully identified and corresponds to the elements specified under Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia;
- the intentional forging of an official document giving certain rights, in prior agreement with a group of persons, as committed by the accused, Igor Aron Mandel, is proven; the offence is rightfully identified and corresponds to Part 2, Article 325 of the Criminal Code of the Republic of Armenia.

Upon examining the personal characteristics of the accused and the factors mitigating or aggravating the liability and the punishment, in determining punishments for each one of the criminal actions committed by the accused, Ashot Aleksan Hakobyan, the Court takes into consideration the nature and social ramifications of the crime, the personal characteristics of the accused, and the absence of prior convictions. The

Court establishes no factors mitigating or aggravating the liability and the punishment of the accused.

The accused, Ashot Aleksan Hakobyan, shall be subject to punishment in the form of imprisonment for his criminal actions, specified under Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia, with confiscation of illicit proceeds, pursuant to Part 4, Article 55 of the Criminal Code of the Republic of Armenia, while withdrawing the application of the following provision: "The property shall be confiscated regardless of ownership or control by a defendant or a third party", since (according to the decision of the Constitutional Court of the Republic of Armenia from July 12, 2011) this provision (in terms of its interpretation and application in practice, where the sufficient protection of ownership and property rights of the victim/legal holder are not guaranteed after confiscation has taken place) was declared invalid and contradictory to the provisions under Part 5, Article 20 and Part 2, Article 31 of the Constitution of the Republic of Armenia.

The accused, Ashot Aleksan Hakobyan, shall be subject to punishment in the form of imprisonment for each one of his criminal actions, specified under Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia; the accused shall serve this punishment.

In determining punishments for each one of the criminal actions committed by the accused, Igor Aron Mandel, the Court takes into consideration the nature and social ramifications of the crime and the fact that his criminal actions have caused losses to a company, where he held more than half of the shares, and has received no factual gain as a result of his criminal actions. The Court also takes into consideration the personal characteristics of the accused, the absence of prior convictions, his age of 70 years, and the fact that he is a 3rd degree handicap, with the following illnesses: ischemic heart disease, post infarction atherosclerotic cardio sclerosis, exertional angina, 2nd and 3rd degree mitral insufficiency, cardiac glaring dysrhythmia, chronic bilateral pyelonephritis, numerous kidney cysts on both sides, 3rd degree arterial hypertension with periodic hypertensive crises, 2nd degree atherosclerotic and post apoplectic 2nd degree hypertensive encephalopathy, right-side pyramidal insufficiency, thyroid adenoma, deforming osteochondrosis in chest area of the spine.

The Court establishes that the foregoing combination of circumstances shall serve as a factor mitigating the liability and the punishment of the accused, while establishing no factors aggravating the liability and the punishment of the accused.

The accused, Igor Aron Mandel, shall be subject to punishment in the form of imprisonment for each one of his criminal actions specified under Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia; the accused shall serve this punishment.

Upon considering the question of the accused, Igor Aron Mandel, serving the punishment determined for his criminal actions, specified under Part 2, Article 325 of the Criminal Code of the Republic of Armenia, the Court establishes that the Decision of the National Assembly of the Republic of Armenia from May 26, 2011 on Declaring Amnesty for the 20th Anniversary of the Independence of the Republic of Armenia shall be applied for the case of this Verdict in relation to the foregoing Article.

Upon considering the question whether or not the accused, Igor Aron Mandel, shall serve the punishment determined for his criminal actions, specified under Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia, the Court establishes that:

According to Article 70 of the Criminal Code of the Republic of Armenia, when assigning a punishment in the form of public work, arrest, imprisonment or keeping in the disciplinary battalion, the court comes to the conclusion that the correction of the convict is possible without serving the sentence, the court may decide not to apply this punishment conditionally.

With its decision No. VB-124/07 from June 12, 2007, the Court of Cassation of the Republic of Armenia has clarified its position on the application of Article 70 of the Criminal Code of the Republic of Armenia, by stating that application of the foregoing Article shall not be conditioned with the type of the offence, the seriousness and nature of the offence, and the persons involved.

Concurrently, the Court of Cassation of the Republic of Armenia has stated: "The only condition for the application of Article 70 of the Criminal Code of the Republic of Armenia is the underlying reasoning. When conditionally refraining from imposing the punishment, the court shall conduct a detailed examination of the conditions underlying the offence and the characteristics of the offender. Most importantly, the Court should come to a reasonable conclusion that the correction of the offender is possible without the punishment".

With its decision No. VB-01/-8 from February 1, 2008, the Court of Cassation of the Republic of Armenia has stated that in order to disclose the grounds for conditionally refraining from imposing a punishment, the provisions under Article 70 of the Criminal Code of the Republic of Armenia shall also be interpreted in the context of the purpose of the punishment, as specified under Part 2, Article 48 of the Criminal Code of the Republic of Armenia; that is, in issuing a decision to conditionally refrain from imposing a punishment, the authorized court shall always consider whether or not the purposes of the punishment for manifesting the social justice and correcting the offender are realized.

Taking into account the foregoing and the fact that the criminal actions of the accused, Igor Aron Mandel, have caused losses to a company, where he held more than half of the shares, he has received no factual gain as a result of his criminal actions, has poor health being a 3rd degree handicap with numerous illnesses, has no prior convictions, has an age of 70 years, as well as the absence of factors aggravating the liability and punishment of the accused, Igor Aron Mandel, the Court establishes that the social ramifications of the crimes committed by the accused, Igor Aron Mandel, have decreased in severity and it can be concluded that the correction of the accused, Igor Aron Mandel, will be possible without his serving a punishment in the form of imprisonment; thus, the petition of the prosecutor, suggesting to withdraw the punishment in the form of imprisonment and to conditionally refrain from imposing a punishment in the form of imprisonment, with the application of Article 70 of the Criminal Code of the Republic of Armenia, is substantiated.

According to Sub-clause 5, Clause 8 of the Decision of the National Assembly of the Republic of Armenia from May 26 2011 on Declaring Amnesty for the 20th Anniversary

of the Independence of the Republic of Armenia, the outstanding portion of the punishment imposed on offenders, pursuant to Part 3, Article 178 of the Criminal Code of the Republic of Armenia, shall be decreased by a one-fourth fraction.

Based on the foregoing, the Court establishes that the outstanding portion of the punishment imposed on Igor Aron Mandel, pursuant to Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia, shall be decreased by a one-fourth fraction, with the application of the Decision of the National Assembly of the Republic of Armenia from May 26 2011 on Declaring Amnesty for the 20th Anniversary of the Independence of the Republic of Armenia.

Upon considering the civil petitions filed by the victims, Karine Onik Ghazaryan, Arusyak Boris Avetisyan, Anush Shmavon Nazaryan, Melanya Mantash Nazaryan, Nazik Vahag Tadevosyan, Aziz Vladimir Stepanyan, Alvard Hakob Arzumanyan, Rima Ruben Aghajanova, and Nina Arshavir Poghosyan, on claiming confiscation of 4,563,780 (four million five hundred sixty-three thousand seven hundred eighty) Armenian drams on the principle of severity from each one of the accused, Ashot Aleksan Hakobyan and Igor Aron Mandel, as a compensation of losses caused as a result of the crime, the Court establishes that the civil petitions shall be left unexamined for the following reasons:

According to Part 1, Article 17 of the Criminal Procedure Code of the Republic of Armenia: "Everyone has the right to a fair trial with observance of all requirements of fairness, by an independent and impartial court, of any criminal case affecting one's interests".

According to Part 1, Article 60 of the Criminal Procedure Code of the Republic of Armenia: "A natural or legal person, who/which has filed a petition in the course of proceedings of the criminal case, with respect to which there are sufficient grounds to assume that a material loss, subject to compensation in a criminal proceeding, was caused to the latter as a result of an action forbidden by Criminal Code, is considered a civil plaintiff".

According to Part 1, Article 74 of the Criminal Procedure Code of the Republic of Armenia: "A natural or legal person, on which the proprietary responsibility may be put in the force of law or in connection with the petition, filed during the proceedings of the criminal case, for the actions of the accused, caused proprietary damage as a result of committing a deed, forbidden by criminal law, is considered a civil defendant".

According to Part 1, Article 154 of the Criminal Procedure Code of the Republic of Armenia: "A civil petition in a criminal proceeding shall be commenced, proven and resolved in accordance with the regulations prescribed by the provisions of this Code".

According to Part 2, Article 154 of the Criminal Procedure Code of the Republic of Armenia: "The application of norms of civil proceeding is permissible if it does not contradict the criminal procedure laws and there is need in norms not contained in criminal procedure laws".

According to Part 2, Article 158 of the Criminal Procedure Code of the Republic of Armenia: "A civil petition may be filed against the suspect, the accused or a person who can bear property responsibility for the actions of the accused".

According to Part 3, Article 158 of the Criminal Procedure Code of the Republic of Armenia: “The claim statement shall indicate what criminal action, who, to whom, on what ground and in what amount the petition is being filed. It shall also contain a claim about the exact amount of loss to be recovered”.

According to the civil petitions filed within this criminal case by the victims, Karine Onik Ghazaryan, Arusyak Boris Avetisyan, Anush Shmavon Nazaryan, Melanya Mantash Nazaryan, Nazik Vahag Tadevosyan, Aziz Vladimir Stepanyan, Alvard Hakob Arzumanyan, Rima Ruben Aghajanova, and Nina Arshavir Poghosyan, the civil plaintiffs have claimed confiscation of 4,563,780 (four million five hundred sixty-three thousand seven hundred eighty) Armenian drams on the principle of severity from each one of the accused, Ashot Aleksan Hakobyan and Igor Aron Mandel, for the benefit of each one of them and as a compensation of losses caused as a result of the crime; however, the court investigation of this criminal case has established that from the total amount of the loan (193,407,000 Armenian drams) provided by “HSBC Bank Armenia” CJSC to “Shengavit-A” LLC based on the relevant agreement, a total of 176,000,000 Armenian drams was transferred by Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan to bank accounts of numerous natural and legal persons. The foregoing two persons shall also be included in the proceedings when examining the civil petitions.

The Court establishes that the civil petitions on confiscating funds from the accused, Ashot Aleksan Hakobyan and Volodya Torgom Vardanyan, for the benefit of the civil plaintiffs, Karine Onik Ghazaryan, Arusyak Boris Avetisyan, Anush Shmavon Nazaryan, Melanya Mantash Nazaryan, Nazik Vahag Tadevosyan, Aziz Vladimir Stepanyan, Alvard Hakob Arzumanyan, Rima Ruben Aghajanova, and Nina Arshavir Poghosyan, shall be left unexamined, in order to ensure the complete examination of the criminal case in due time with the foregoing reasons; this shall not preclude the future examination of these petitions in a civil procedure.

In considering the question of arrest imposed on the assets of the accused, the Court establishes that the arrest imposed on the accused, Ashot Aleksan Hakobyan, with the decisions of the preliminary investigation authority from March 26, 2008 and November 10, 2009, shall be maintained until this Verdict is fulfilled, and the arrest imposed on the accused, Igor Aron Mandel, with the decisions of the preliminary investigation authority from March 26, 2008, shall be removed.

In considering the question of material evidences, the Court establishes that the documents considered material evidence with the decision from November 1, 2010 shall be kept with the criminal case after this Verdict has entered into force.

In considering the question of provisional measures, the Court establishes that the provisional measure in the form of detention, imposed on the accused, Ashot Aleksan Hakobyan, is rightfully identified and shall neither be removed nor changed until this Verdict has entered into force, and the provisional measure in the form of a written undertaking not to leave, imposed on the accused, Ashot Aleksan Hakobyan, is rightfully identified and shall neither be removed nor changed until this Verdict has entered into force.

Based on the foregoing and guided by Articles 35, 119, 357-360, 364-367, and 369-373 of the Criminal Procedure Code of the Republic of Armenia, the Court:

DECIDES

To declare the accused, Ashot Aleksan Hakobyan, guilty, pursuant to Clause 1, Part 3, Article 190, Clause 1, Part 3, Article 178, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia and to sentence him to: imprisonment for a term of 8 (eight) years, with confiscation illicit proceeds specified under Part 4, Article 55 of the Criminal Code of the Republic of Armenia, while withdrawing the application of the following provision: “The property shall be confiscated regardless of ownership or control by a defendant or a third party”, pursuant to Clause 1, Part 3, Article 190 of the Criminal Code of the Republic of Armenia; imprisonment for a term of 6 (six) years, without confiscation of assets, pursuant to Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia; imprisonment for a term of 2 (two) years, pursuant to Part 2, Article 325 of the Criminal Code of the Republic of Armenia.

To assign a final punishment on the accused, Ashot Aleksan Hakobyan, with the application of the principle on partial addition of punishments, as specified under Article 66 of the Criminal Code of the Republic of Armenia, in the form of imprisonment for a term of 11 (eleven) years, with confiscation of illicit proceeds specified under Part 4, Article 55 of the Criminal Code of the Republic of Armenia, while withdrawing the application of the following provision: “The property shall be confiscated regardless of ownership or control by a defendant or a third party”. He shall serve the punishment in the relevant penitentiary institution under the Ministry of Justice of the Republic of Armenia, while counting the term from April 10, 2010.

To maintain the provisional measure imposed in the form of detention until this Verdict has entered into force.

To declare the accused, Igor Aron Mandel, guilty, pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia and to sentence him to: imprisonment for a term of 5 (five) years, without confiscation of assets, pursuant to Clause 1, Part 3, Article 178 of the Criminal Code of the Republic of Armenia; imprisonment for a term of 1 (one) year, pursuant to Part 2, Article 325 of the Criminal Code of the Republic of Armenia.

To conditionally refrain from imposing the punishment assigned on Igor Aron Mandel for actions specified under Part 2, Article 325 of the Criminal Code of the Republic of Armenia, with the application of Sub-clause 1, Clause 1 of the Decision of the National Assembly of the Republic of Armenia from May 26, 2011 on Declaring Amnesty for the 20th Anniversary of the Independence of the Republic of Armenia.

To decrease the punishment assigned on Igor Aron Mandel in the form of imprisonment for a term of 5 (five) years) by a one-fourth fraction and to assign a final punishment in the form of imprisonment for a term of 3 (three) years and 9 (nine) months, with the application of Sub-clause 1, Clause 1 of the Decision of the National Assembly of the Republic of Armenia from May 26, 2011 on Declaring Amnesty for the 20th Anniversary of the Independence of the Republic of Armenia.

To conditionally refrain from imposing the punishment assigned on Igor Aron Mandel in the form of imprisonment for a term of 3 (three) years and 9 (nine) months for actions specified under Clause 1, Part 3, Article 178 of the Criminal Code of the

Republic of Armenia and to impose a probation of 5 (five) years, with the application of Article 70 of the Criminal Code of the Republic of Armenia.

To accept Igor Aron Mandel's obligation not to change his permanent address of residence and assign supervision over his behavior, to be fulfilled by the Division of Alternative Punishments of the Penitentiary Department of the Ministry of Justice of the Republic of Armenia.

To maintain the provision measure imposed in the form of a written undertaking not to leave until this Verdict has entered into force.

To leave the civil petitions filed by the civil plaintiffs, Karine Onik Ghazaryan, Arusyak Boris Avetisyan, Anush Shmavon Nazaryan, Melanya Mantash Nazaryan, Nazik Vahag Tadevosyan, Aziz Vladimir Stepanyan, Alvard Hakob Arzumanyan, Rima Ruben Aghajanova, and Nina Arshavir Poghosyan, unexamined.

To maintain the arrest imposed on the assets of Ashot Aleksan Hakobyan with the decisions of the preliminary investigation authority from March 26, 2008 and November 10, 2009 until this Verdict has entered into force and to remove the arrest imposed on the assets of Igor Aron Mandel with the decision of the preliminary investigation authority from March 26, 2008.

To keep the documents, considered material evidence with the decision from November 1, 2010, in the criminal case after this Verdict has entered into force.

This Verdict may be appealed to the Criminal Court of Appeals of the Republic of Armenia within a month from its publication.

JUDGE, M. MARTIROSYAN

(Extract)

Case No. EKD/0319/01/10

April 19, 2012

Yerevan, Republic of Armenia

VERDICT

IN THE NAME OF THE REPUBLIC OF ARMENIA

CRIMINAL COURT OF APPEALS OF THE REPUBLIC OF ARMENIA

Presiding Judge: K. Ghazaryan
Judges: G. Melik-Sargsyan, H. Ter-Adamyan
Assistant: L. Poladyan
Prosecutors: H. Sargsyan, G. Tigranyan
Counsels: H. Baghdasaryan, H. Maghakyan
Offender: A. Hakobyan, I. Mandel
Victims and civil plaintiffs: K. Ghazaryan, A. Avetisyan, A. Nazaryan, A. Stepanyan,
M. Nazaryan, N. Poghosyan, A. Arzumanyan, N.
Tadevosyan, R. Aghajanova
Representative of victims: A. Mnatsakanyan

An open-court examination of the appeals filed by the offender, Ashot Hakobyan, and his counsel, Henrik Maghakyan, the victims and civil plaintiffs, Karine Ghazaryan, Arusyak Avetisyan, Anush Nazaryan, Aziz Stepanyan, Melanya Nazaryan, Nina Poghosyan, Alvard Arzumanyan, Nazik Tadevosyan, and Rima Aghajanova, against the verdict issued on December 29, 2011 by the Common Jurisdiction Court of First Instance in Kentron and Nork-Marash Administrative Regions of Yerevan on the offender, Ashot Hakobyan, charges pressed pursuant to Clause 1, Part 3, Article 178, Clause 1, Part 3, Article 190, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia, and on the offender, Igor Mandel, charges pressed pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia:

(...)

DECIDES

To reject the appeals filed by the offender, Ashot Hakobyan, and his counsel, Henrik Maghakyan, the victims and civil plaintiffs, Karine Ghazaryan, Arusyak Avetisyan,

Anush Nazaryan, Aziz Stepanyan, Melanya Nazaryan, Nina Poghosyan, Alvard Arzumanyan, Nazik Tadevosyan, and Rima Aghajanova, and to maintain the legal force of the verdict issued on December 29, 2011 by the Common Jurisdiction Court of First Instance in Kentron and Nork-Marash Administrative Regions of Yerevan on the offender, Ashot Hakobyan, charges pressed pursuant to Clause 1, Part 3, Article 178, Clause 1, Part 3, Article 190, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia, and on the offender, Igor Mandel, charges pressed pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia.

This Verdict may be appealed to the Court of Cassation of the Republic of Armenia within a month from its publication.

PRESIDING JUDGE, K. GHAZARYAN

(Extract)

Case No. EKD/0319/01/10

June 12, 2012

Yerevan, Republic of Armenia

COURT OF CASSATION OF THE REPUBLIC OF ARMENIA

CRIMINAL CHAMBER

VERDICT ON REJECTING THE CASSATION APPEALS

Presiding Judge: D. Avetisyan

Judges: H. Ghukasyan, H. Asatryan, E. Danielyan, A. Poghosyan

Examining the question of satisfying/rejecting the cassation appeals filed by the counsel of the offender, Ashot Hakobyan, the victims and civil plaintiffs, Karine Ghazaryan, Arusyak Avetisyan, Anush Nazaryan, Aziz Stepanyan, Melanya Nazaryan, Nina Poghosyan, Alvard Arzumanyan, Nazik Tadevosyan, and Rima Aghajanova, against the verdict issued on April 19, 2012 by the Criminal Court of Appeals of the Republic of Armenia on the offender, Ashot Hakobyan, charges pressed pursuant to Clause 1, Part 3, Article 178, Clause 1, Part 3, Article 190, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia, and on the offender, Igor Mandel, charges pressed pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia:

(...)

DECIDES

To reject the appeals filed by the counsel of the offender, Ashot Hakobyan, the victims and civil plaintiffs, Karine Ghazaryan, Arusyak Avetisyan, Anush Nazaryan, Aziz Stepanyan, Melanya Nazaryan, Nina Poghosyan, Alvard Arzumanyan, Nazik Tadevosyan, and Rima Aghajanova, against the verdict issued on April 19, 2012 by the Criminal Court of Appeals of the Republic of Armenia on the offender, Ashot Hakobyan, charges pressed pursuant to Clause 1, Part 3, Article 178, Clause 1, Part 3, Article 190, and Part 2, Article 325 of the Criminal Code of the Republic of Armenia, and on the offender, Igor Mandel, charges pressed pursuant to Clause 1, Part 3, Article 178 and Part 2, Article 325 of the Criminal Code of the Republic of Armenia:

This Verdict enters into force from the moment of its adoption; it is final and not subject to appeal.

PRESIDING JUDGE, D. AVETISYAN

JUDGES, H. GHUKASYAN, H. ASATRYAN, E. DANIELYAN, A. POGHOSYAN