CHAPTER 1

DEFINITION AND FORMATION OF JOINT STOCK COMPANIES

ARTICLE 1. A joint stock company is a company whose capital is divided into shares and the liability of whose shareholders is limited to the par value of the shares respectively held by them.

ARTICLE 2. A joint stock company is considered as a trading company, regardless of the fact that operations conducted by it are not of a trading nature.

ARTICLE 3. The members of a joint stock company must not be less than three.

ARTICLE 4. Joint stock companies fall under two distinctive categories. The first category consists of a company whose promoters secure a portion of its share capital by way of transferring shares to the public and such a company is called a public company. The second category consists of a company whose share capital, in its entirety, is secured by its promoters at the time of its formation and such a company is called a private company.

NOTE: In joint stock companies the phrase "Public Joint Stock Company" or "Private Joint Stock Company" should appear immediately either before or after the name and style of the company as the case may be and, moreover, the said phrase should be indicated in a conspicuous place and in legible printing on all letter-heads, publications and notices of the company.

ARTICLE 5. At the time of formation of the company, the share capital of a public company must not be less than five million Rials and that of a private company must not be less than on million Rials. If, at any time after the formation of the company, the share capital of the company, for any reason whatever, falls below the said minimum amount, then proper measures should be taken to increase the share capital to the minimum amount or to convert the same into other types of companies mentioned in the Commercial Code; otherwise, any interested person will be liberty to apply to the court for winding-up of the company. If, before the issue of a final verdict, the causes which gave rise to the dissolution of the company are eliminated, then the court will abandon the case.

ARTICLE 6. As a pre-requirement for formation of public joint stock companies, the promoters must subscribe at least 20 per cent of the shares of the company and deposit not less than 35% of the amount undertaken by them into an account opened in the name of the company in the process of formation with one of the banks, and submit a declaration together with draft articles of association and a draft prospectus duly signed by all the promoters to the local branches of the said office, and, in places where no branch office of the Registrar of Companies exists, to the local Land and Deeds Registry, against receipt.

Note: In a case where a portion of the consideration given by the promoters is not in specie, then the right of possession together with the relevant title deeds of the property given as consideration must be vested with the same bank with whom the account for cash payments is opened, and the promoters must submit a bank certificate together with the declaration and its attachments to the office of the Registrar of Companies.

ARTICLE 7. The declaration mentioned in Article 6, ante, must be dated and signed by all the promoters and must specifically include the following information:-(1) name of the company; (2) full identity and domicile of the promoters; (3) the objectives of the company; (4) the share capital of the company giving the breakdown of the amount paid in specie and in kind; (5) the number of registered and bearer and their par value and the preferred shares, if any, indicating the number, particulars and the privileges attached thereto; (6) the contribution of each of the promoters, and the amount paid in this connection, indicating

the number of the account and the name of the bank with which the cash payments are deposited. In the case of contributions in kind, the particulars, specifications and values of such contributions enabling one to get a clear picture of the nature of such contributions; (7) the principal office of the company; (8) the duration of the company.

ARTICLE 8. The draft articles of association of the company must be dated and signed by the promoters and include the following information:- (1) the name and style of the company; (2) the objectives of the company expressed and defined; (3) the duration of the company; (4) the address of the principal office and the location of branch offices, if any; (5) details of the share capital of the company, specifying the amount paid in specie and the amount paid in kind separately; (6) the number of bearer shares and registered shares and the par value thereof. If the creation of preferred shares is intended, the number of such shares, their particulars and the privileges attached thereto should be indicated; (7) details of the amount of each type of sha re which is paid up, the manner of call for the unpaid balance of the par value of each share and the period over which such balance should be paid which under no circumstance shall exceed five years; (8) the manner of transfer of registered shares; (9) the manner of conversion of registered shares into bearer shares and vice-versa; (10) if the possibility of the issue of debentures is envisaged, an indication of the conditions and the manner of such issue; (11) the manner and conditions of increasing and decreasing the capital of the company; (12) the period and the manner of calling general meetings; (13) the regulations governing the quorum for general meetings and the manner of running such meetings; (14) The manner of transacting business, motions and the majority of votes required to give validity to the resolutions passed by general meetings; (15) the number of directors, the manner of their election, their terms of office, the manner of election of the successors of such directors who die or resign, or become incapacitated, or have been removed from their office or otherwise deprived of their office by any legal impediment; (16) details of the scope of functions and authorities of the directors; (17) the number of directors' qualification shares required to be deposited by the directors with the company; (18) the dates of commencement and end of the fiscal year of the company, the time limit for preparing the balance sheet and profit and loss account; (19) the dates of commencement and end of the fiscal year of the company, the time limit for preparing the balance sheet and profit and loss account and the submission thereof to the legal inspectors and to the annual general meeting; (20) the manner of voluntary winding-up of the company and the proceedings for liquidating its affairs; (21) the manner of alterations to the articles of association.

ARTICLE 9. The prospectus mentioned in Article 6 ante must contain the following information: (1) The name of the company. (2) The objectives of the company and the nature of the activities for which the company came into existence. (3) The address of the principal office of the company and the location of branch office of the company, if there is any intention to establish branch offices. (4) The duration of the company. (5) The full identities, domicile and occupations of the promoters and brief descriptions of their background, knowledge and experience in affairs relative to the objectives of the company and similar matters, provided all the promoters or a number of them have some experience or knowledge of such matters. (6) The share capital of the company, specifying the amount paid in specie and the amount paid in kind separately and the number and types of shares. In the case of capital paid in kind, the quantity, particulars, the quality and value thereof must be stated so as to convey full information in respect of the nature of such contributions. (7) If the promoters have allotted certain privileges for themselves, the nature and

particulars of such privileges should be given in detail. (8) The portion of the share capital subscribed by the promoters and the amount paid up. (9) A statement of preliminary expenses incurred by the promoters

to establish the company, the cost of feasibility studies and other investigations carried out and a forecast of the costs necessary to complete all preliminary activities. (10) If the execution of the objectives of the company is legally dependent upon the permission of special authorities, specify the particulars of such permission or the approval in principle of such authorities. (11) The minimum number of shares which must be subscribed by the applicant and the amount which must be paid in cash at the time of subscription. (12) Details of the number and particulars of the bank account to which the cash portion of the par value of the shares must be deposited and the period of grace give during which interested persons may apply and pay the cash portions to the bank. (13) An indication that the declaration of the promoters together with a draft copy of the articles of association have been submitted to the office of the Registrar of Companies and are available for examination by interested persons. (14) The name of the newspaper in which all subsequent calls and notices of the company will appear solely until such time as the statutory meeting is convened. (15) The manner of allotment of shares to the applicants.

ARTICLE 10. The office of the Registrar of Companies after having reviewed the declaration and its attachments and being satisfied that the legal requirements have been met, will allow the publication of the prospectus.

ARTICLE 11. The prospectus must be published by the promoters in the press and must also be displayed in a conspicuous in the premises of the bank to which applications are to be submitted so that it may be seen by interested persons.

ARTICLE 12. Interested persons must contact the bank within the period allowed by the prospectus, sign the application forms and pay the amounts required to be paid in cash and obtain receipts therefore.

ARTICLE 13. The application should contain the following information:- (1) The name, objectives, address of the principal office and duration of the company. (2) The share capital of the company. (3) The number and date of issue of the prospectus and the name of the authority issuing it. (4) The number of shares which the applicant intends to subscribe, the par value of such shares and the amount required to be paid in cash at the time when subscription takes place. (5) The name of the bank and number of the account in which the cash payment required on application must be deposited. (6) Identity and full address of the applicant. (7) A statement by the applicant that he undertakes to pay the unpaid balance of the shares in accordance with the terms laid down in the articles of association of the company.

ARTICLE 14. The application for subscription must be made in duplicate, dated and duly signed by the applicant or his legal representative. The original copy will be retained by the bank and the duplicate bearing the seal and signature of the bank and acknowledgment of receipt of the sum paid shall be returned to the applicant.

NOTE. If the application is signed by a representative, his identity and full address must be indicated and his authority as a representative must be submitted and attached to the records.

ARTICLE 15. An applicant's signature on an application form constitutes full acceptance by the applicant of the terms of the company's articles of association and of resolutions passed at general meetings of the company.

ARTICLE 16. On expiry of the period specified for submission of applications or any extended period, the promoters shall, within not later than one month, examine the applications and allot the shares to the applicants after having satisfied themselves that the total share capital of the company has been duly subscribed and at least 35% thereof has been paid up in cash and thereupon shall call the statutory

meeting.

ARTICLE 17. The statutory meeting shall be convened in compliance with the provisions of this Act and, after having examined the applications and satisfied themselves that the capital of the company has been subscribed, the persons present shall review and approve the articles of association and proceed with electing the first directors and legal inspector or inspectors of the company and designate a newspaper in which all subsequent notices and calls for the shareholders will be published exclusively until the convening of a general meeting. The directors and inspectors are required to accept in writing the positions offered to them. Acceptance of a position is ipso facto considered as conclusive evidence that the directors and inspectors are fully informed of their functions and responsibility. As from such date, the company is considered duly established.

ARTICLE 18. The articles of association which have been approved by the statutory meeting shall be submitted to the office of the Registrar of Companies together with the relevant minute of the statutory meeting and the statements of the directors and inspectors expressing their acceptance.

ARTICLE 19. If a company is not registered within six months from the date of submission of the declaration mentioned in Article 6 ante, the office of the Registrar of Companies shall, upon the application of each of the promoters or subscribers, issue a certificate to the effect that the company was not registered and shall return this certificate to the bank which is dealing with the prospectus and receipts of cash payments, enabling the promoters and the subscribers to approach the bank and obtain a refund of their applications and the amounts paid by them. In these circumstances, all expenses incurred or obligated for the establishment of the company shall be borne by the promoters.

ARTICLE 20. The submission of the declaration, together with the following documents, shall be sufficient for forming a private company:-(1) The articles of association signed by all the shareholders.(2) A statement indicating that all the shares have been duly subscribed together with a certificate from a bank to the effect that at least 35 per cent of the share capital of the company has been paid. The statement must be signed by all shareholders. If the capital wholly or pro tanto has been paid in kind, the total value must be delivered and the appraisal of each item must be reflected in the statement. If there are preferred shares, a full description of privileges and the grounds for granting such privileges must be indicated in the statement. (3) A minute, signed by all shareholders, reflecting the election of the first directors and inspectors of the company. (4) The statements duly signed by the directors and inspectors of the company indicating their acceptances of the positions in accordance with the last part of Article 17.(5) A statement naming a newspaper with widespread circulation in which all notices of the company will be published until the convening of the first annual general meeting.

NOTE: Other provisions and requirements mentioned in this Act for the formation of public companies shall not be applicable to private companies.

ARTICLE 21. A private company shall not be allowed to issue a prospectus, not offer its shares for sale through the stock exchange or banks, nor be allowed to issue any notice or advertisement, nor to make any publicity or propaganda for the sale of its shares unless it avails itself of the provisions stipulated for public companies in the manner stated in this Act.

ARTICLE 22. The proceeds deposited in the name of a company in the process of formation cannot be utilized unless the company is registered or upon the occurrence of the contingency mentioned in Article 19.

ARTICLE 23. The promoters of a company are jointly liable for all acts and functions which they perform in connection with the formation of that company.

CHAPTER 2

SHARES

ARTICLE 24. A share is a portion of the capital of a joint stock company which defines the extent of participation, liabilities and entitlement to the profit of its holder in such joint stock company. A share certificate is a negotiable instrument which represents the number of shares which its holder owns in the company.

ARTICLE 25. Share certificates must be uniform, printed and bear a serial number and be signed by at least two individuals as specified in the articles of association.

ARTICLE 26. Share certificates must include the following information:

(1) The name and style of the company and the number under which it is registered at the office of a notary public.
(2) The registered share capital of the company and the paid-up portion.
(3) The type of share.
(4) The par value of the shares and the paid-up portion; both in words and in figures.
(5) The number of shares represented by each certificate.

ARTICLE 27. When share certificates have not been issued, a company is required to issue provisional certificates to the shareholders indicating the number of shares, type of shares and the amount paid up. Such certificates are considered to be evidence of the shares held but, in any case, a company is required to issue share certificates within one year from the date the total par value of the shares is paid up and deliver the same to the shareholders and cancel the provisional share certificates.

ARTICLE 28. It is forbidden to issue share certificates as long as the company is not registered; otherwise, the signatories shall be bound to indemnify all losses incurred by a third party.

ARTICLE 29. In public joint stock companies, the par value of each share should not exceed the sum of ten thousand Rials.

ARTICLE 30. As long as the par value of the shares is not paid in full, it is forbidden to issue bearer share certificates in the names of their holders. Registered share certificates may be given to such subscribers. The transfer of such shares shall be subject to the provisions governing the transfer of registered shares.

ARTICLE 31. In respect of the issue of provisional share certificates, the provisions of Articles 25 and 26 must be complied with.

ARTICLE 32. The par value of all shares in a company must be equal and, if a share is divided into fractions, these fractions must be equal.

ARTICLE 33. The unpaid balance of each share of a joint stock company must be called during the period mentioned in the articles; otherwise the board must be called during the period mentioned in the articles otherwise the board of directors shall be required to call and convene an extraordinary general meeting for the purpose of decreasing the share capital to the extent of the paid up capital of the company. In case of failure to do so, any interested party shall be entitled to apply to the court for the purpose of decreasing the registered capital of the company.

NOTE: Calls for unpaid capital of the company, wholly or protanto, must be addressed to all shareholders and carried out without any discrimination.

ARTICLE 34. Any person who has subscribed for shares is liable to pay the par value thereof in full and, if he transfers his shares prior to full payment of the par value, the new holder of such shares shall be liable for the payment of the total unpaid balance of the shares.

ARTICLE 35. Whenever a company intends to call the unpaid balance of shares, entirely or in parts, it shall be required to publish a notice in the high-circulation newspaper selected for the publication of the notices of the company and thereby notify the shareholders and allow a reasonable and proportional period of grace for effecting such payment.

Interest at the legal rate plus 4 per cent per annum shall accrue on the unpaid balance as at the date of expiry of such period of grace. After the lapse of one month from a further notice, if shareholders fail to settle the sum demanded and the interest accruing thereon in full, the company shall proceed to sell such shares through the stock exchange list of negotiable instruments; otherwise, those may be sold by public auction.

From the proceeds of such sales, first, all expenses of the sale shall be deducted and, if the net sale proceeds exceed the principal sum and the interest accruing thereon, the surplus shall be paid to the shareholder.

ARTICLE 36. Pursuant to Article 35, the notice of the sale of shares should contain all the particulars of the relevant shares and be published once in the newspaper in which the notices of the company are published and a copy of such notice shall be sent by registered mail to the holder of the shares. If, including the principle sum, interest accruing thereon and expenses are paid prior to the appointed date for sale, all the amounts due on account of shares to the company, the company shall stop the sale of shares.

If the shares are sold, then the name of the former holders shall be deleted from the records of the company. A share certificate or provisional certificate, with the insertion of the word “duplicate”, shall be issued in the name of the purchaser and the former share certificates or provisional certificates shall be forfeited. This information shall be published for public information.

ARTICLE 37. The holders of shares mentioned in Article 35 shall not be entitled to attend general meetings and the number of their shares shall be subtracted from the required number of shares for establishing a quorum concerning the convening of general meetings of the company. Moreover, the said shareholders shall be deprived of receiving any distributable dividend and the pre-emptive right for subscription of new shares and, in the same manner, the payment of distributable reserves in favour of such shareholders shall be kept in abeyance.

ARTICLE 38. Pursuant to Article 37, if the holders of such shares make a settlement with the company for payment of the principal sum, accrued interest and expenses, they shall be re-entitled to attend and vote at general meetings and to all financial rights attached to their shares by the company if not barred by the statute of limitation.

ARTICLE 39. A bear share shall be mad in the form of a negotiable instrument payable in favour of bearer and shall be considered as the property of the holder unless the contrary is established. The transfer of such shares takes place by physical delivery of the shares. Bearer share certificates are considered to be the actual bearer's share and, from a taxation point of view, they shall be subject to the provisions governing bearer shares.

ARTICLE 40. The transfer of registered shares must be entered in the share register of the company and the transferor or his attorney or his legal representative should sign such transfer in the share register. When the total par value of a share is not paid up, the full address of the transferor must be entered in the share register and signed by the said transferor or his attorney and shall be binding in respect of fulfillment of obligations arising from a conveyance. Any change in domicile should be registered in the same manner. Any transfer which takes place contradictory to the provisions mentioned above shall be considered as null and void as far as the company and third parties concerned.

ARTICLE 41. In a public joint stock company, the transfer of shares should not be subject to the approval of either the board of directors or general meeting of the company.

ARTICLE 42. Any joint stock company may, by virtue of its articles of association or at any time before the company is wound up, by the resolution of an extraordinary general meeting, create preferred shares. The privileges attached to such shares and the manner of their utilization must be clearly stated. Any change in the privileges attached to preferred shares must be approved by an extraordinary meeting of the company with the affirmative vote of the holders of fifty per centum plus one of such shares.

CHAPTER 3

CONVERSION OF SHARES

ARTICLE 43. If a company is intending, by virtue of its articles of association or by a resolution passed by an extraordinary general meeting, to convert its shares from bearer shares into registered shares or from registered shares into bearer shares it should carry out the proceedings described in the following articles.

ARTICLE 44. For conversion of bearer shares into registered shares, notice should be published in the newspaper in which all notices of the company are published on three occasions with an interval of five days between each, and granting a period of grace not less six months from the date of publication of the first notice to the shareholders to apply to the company for conversion of their shares. The notice should include a statement to the effect that, upon the expiry of the period of grace, all bearer shares sha ll be rendered as null and void.

ARTICLE 45. Bearer shares, which are not surrendered to the company for conversion within the period of grace mentioned in Article 44, shall be considered as cancelled and an equal number of registered shares will be issued in their stead and shall be sold by the company through the stock exchange if the shares are quoted; otherwise they shall be sold by public auction. Notice for auction shall be issued once, one month at the latest after expiry of the period of grace in the newspaper in which the notices of the company are published. The interval between the notice and the public auction should not be less than ten days and not more than one month. If the shares, wholly or partly remain unsold on the appointed date, the public auction will be repeated twice more in compliance with the provisions stipulated in this article.

ARTICLE 46. From the proceeds derived from the sale of shares which are sold in the manner provided for in Article 45, there will be deducted all expenses incurred such as publicity expenses for public auction or brokerage fees for sales on the stock exchange and the balance shall be deposited in an interest

bank account. If, within ten years, the original share certificates which have been cancelled are returned to the company then the company will instruct the bank to pay the shareholder the deposited amount together with the interest accruing thereon. After ten years, such funds shall be considered to be property of unknown ownership and will be delivered to the Government Treasury with the information of the Public Prosecutor of the Court of First Instance.

NOTE: Pursuant to Articles 45 and 46, if, after adoption of public auction proceedings, some of the shares are not sold, the holders of bearer shares, in "first come, first served" order, who approach the company shall have the right either to collect the cash proceeds derived from the sale of their shares or apply for the allotment of registered shares of the company equal in number to the bearer shares in their possession. This procedure may be followed as long as the company has both cash proceeds and share certificates at its disposal.

ARTICLE 47. For conversion of registered shares into bearer shares, notice will be published once only in the newspaper in which the notices of the company are published and a period of grace of not less than two months will be granted to the shareholders to approach the company for conversion of their shares. After the expiry of such period of grace, bearer shares will be issued equal to the number of the unconverted registered shares and retained by the company pending the approach of the holders thereof who surrender their shares for cancellation and obtain bearer shares in lieu.

ARTICLE 48. After the conversion of all bearer shares into registered shares or the conversion of registered shares into bearer shares or after the lapse of periods mentioned in Article 44 and 47 as the case may be, the company shall be required to inform the office of the Registrar of Companies to effect the registration and publish a notice for public information.

ARTICLE 49. Holders of shares who have not exchanged their shares in compliance with the foregoing articles shall not be entitled to attend and vote at general meetings on the such shares.

ARTICLE 50. In the case of the conversion of provisional certificates to registered or bearer share certificates the provisions of Articles 47 and 49 will be applied.

CHAPTER 4

DEBENTURES

ARTICLE 51. A public joint stock company may issue debentures in compliance with provisions stipulated in this Act.

ARTICLE 52. A debenture is a negotiable instrument which represents the amount of a loan at a fixed rate of interest which, wholly or partly, will be payable at a fixed time or by instalments. It is possible to attach other privileges to a debenture in addition to interest.

ARTICLE 53. Debenture holders shall not participate in the management of a company and they are considered to be creditors only.

ARTICLE 54. Application in response to a prospectus and the purchase of debentures are not considered to be commercial operations.

ARTICLE 55. No debentures may be issued unless the share capital of the company has been fully paid up, two complete years have elapsed since the company was registered and two balance sheets have been approved in general meetings.

ARTICLE 56. If the issue of debentures was not envisaged in the articles of association of the company an extraordinary general meeting shall be called to approve such issue on the recommendation of the board of directors. The articles of association or a general meeting may authorize the board of directors to issue debentures, once or several times, with an interval not exceeding two years.

NOTE: On the occasion of the issue of debentures, the debentures and fractions thereof (if the debenture is divisible) must be of the same denomination.

ARTICLE 57. The office of the Registrar of Companies must be notified in writing of the resolution approving the issue and its publication accompanied by the declaration giving the necessary information concerning the issue of debentures. The said office shall register the resolution and publish a summary of the same, together with a declaration, in the Official Gazette.

NOTE: It is forbidden to publicize the sale of debentures prior to performing the above formalities.

ARTICLE 58. The declaration of the issue of debentures should contain the following information: (1) The name of the company. (2) The objectives of the company. (3) The registration number and date of registration of the company. (4) The address of the principal office of the company. (5) The duration of the company. (6) The share capital of the company; indicating that the capital is fully paid up. (7) If the company has previously issued debentures, the amount, number and date of such issues(s), the securities which have been assigned against repayment and the amounts already redeemed. If the former debentures were convertible into shares, state the number of such debentures which have not yet been converted. (8) If the company has guaranteed the debentures of other concerns, the amount, period and conditions concerning such guarantee should be mentioned. (9) The amount of loan, the period, the nominal value of each debenture, the rate of interest accruing on the debenture, the manner of computation, other rights if any, which might attach to the debenture, the period or periods and the conditions of repayment of the principal sum, etc, if the debenture is redeemable, the conditions of redemption. (10) The securities, if any, assigned for the debentures. (11) If a debenture is convertible into shares or stocks of the company, period and the other conditions of such conversion. (12) A report on the financial position of the company and a summary of the latest balance sheet of the company approved by a general meeting.

ARTICLE 59. After the notice mentioned in Article 57 has been published in the Official Gazette, the resolution of the general meeting together with the declaration of the debentures, indicating the number and date of the notice published in the Official Gazette, together with the issue and the publication date of the Official Gazette, must be published in the newspaper which publishes the notice of the company.

ARTICLE 60. The debenture certificate must contain the following points:- (1) The name of the company. (2) The registration number and date of registration of the company. (3) The address of the principal office of the company. (4) The share capital of the company. (5) The duration of the company. (6) The nominal value, serial number and the date of issue of the debentures. (7) Date and terms of repayment and the terms of redemption if any. (8) The securities, if any, assigned for the debentures. (9) In the case of convertibility of debentures into stocks of the company, the terms of conversion which should be complied with and the name of individuals or concerns which have guaranteed the debentures. (10) In the case of convertibility of debentures into shares of the company, the period and terms of such conversion.

ARTICLE 61. Debentures may be convertible into stocks of the company. In this case an extraordinary general meeting, upon the recommendation of the board of directors and special report of the auditors, shall, simulations with the date of issue of the debentures, increase the share capital of the company by an amount not less than the total amount of the debentures.

ARTICLE 62. The increase mentioned in Article 61 must be underwritten by one or several banks or creditable financial institutions before the issue of the debentures and the contract which is concluded by and between the company and such underwriters dealing with such underwriting, the terms thereof and the responsibilities of such underwriters regarding the delivery of such stocks to the debenture holders, must also be approved by the general meeting mentioned in Article 61, otherwise it shall not be valid.

NOTE: The Monetary and Credit Council shall specify the qualifications of the banks and financial institutions entitled to underwrite increases of capital of companies.

ARTICLE 63. Pursuant to Article 61 and 62, the pre-emptive right of shareholders of the company to purchase stocks convertible into debentures is extinguished, ipso facto.

ARTICLE 64. The terms and the manner of conversion of debentures into stocks must be embodied in the debenture certificate. The conversion of debentures into stocks shall be at the absolute discretion of each debenture-holder. A debenture holder shall be at liberty to convert his debenture(s) into stocks of the company at any time before the maturity date of his debenture(s).

ARTICLE 65. As from the date of adoption of the resolution mentioned in Article 61 up to the end of the maturity date of maturity dates of the debentures, the company shall not be allowed to issue new debentures exchangeable or convertible into stocks, nor to amortize its share capital, nor decrease the same by way of redemption of stocks, nor introduce alterations in the manner of distribution of dividends. A decrease of capital due to losses incurred which results in diminishing the par value of shares or a reduction in the number of shares shall also affect the stocks which might be obtained in the process of conversion of debentures. It is held that the owners of debentures, as from the date of issue of the debentures, are considered to be stockholders of the company.

ARTICLE 66. As from the date of adoption of the resolution mentioned in Article 61 up to the end of the maturity date or maturity dates of the debentures, the issue of new shares derived from the capitalization of the reserve fund or otherwise, giving shares or allotments or payment of money to the shareholders as bonus or share premium, are forbidden, unless the rights of the debenture holders, who at a subsequent time may convert their debentures into stocks of the company, are honoured. In order to achieve the above purpose, the company should make proper arrangements in such manner that the debenture holders, who at a subsequent time may convert their debentures into stocks of the company, will be able to exercise such financial rights in the same proportions and on the same basis.

ARTICLE 67. The stocks which will be issued for the conversion of debentures shall be registered stocks and shall be retained by the company until the maturity date or maturity dates of the debentures as security against the undertaking of the underwriters for the exchange of the said stocks with the debenture certificates. Such stocks shall not be negotiable until the maturity date or dates of the debentures and shall be transferable only to the debenture holders. The transfer of such stocks shall not be recorded in the share register the company unless it is established that they have been exchanged with the debenture certificates.

ARTICLE 68. Stocks which are issued for exchange with the debenture certificates will be immune from any attachment or seizure so long as such exchange has not taken place and as the debentures have not matured.

ARTICLE 69. Debentures may be convertible in to stocks of the company. In this case, the extraordinary general meeting which has approved the issue of debentures shall specify the terms and appoint a sate within which the debenture holders may surrender their debenture certificates to the company for

conversion into stocks and shall simultaneously allow the board of directors to increase the share capital of the company.

ARTICLE 70. Pursuant to Article 69, the board of the company, based upon the resolution passed by the general meeting mentioned in the said Article 69 and upon the expiry of the period, shall increase the capital of the company to extent of the unpaid balance of the debentures which are surrendered to the company for conversion, issue new shares after having effected the registration of the increase of capital with the office of the Registrar of Companies, and deliver the same to the debenture holders equivalent to the unpaid balance of the debentures whose certificates are surrendered to the company.
ARTICLE 71. In the case of debentures convertible into stocks the general meeting shall act on the recommendation of the board of directors and a special report of the provisions of Articles 62 and 63 dealing with debentures convertible into stocks.

CHAPTER 5

GENERAL MEETINGS

ARTICLE 72. A general meeting of a joint stock company is convened when its shareholder gather together. The provisions concerning the quorum of a general meeting and the required number of affirmative votes for passing a resolution shall be set forth in the articles of association, unless special regulations are envisaged in this Act.

ARTICLE 73. General meetings are as follows:-(1) Statutory meetings. (2) Ordinary general meetings. (3) Extraordinary general meetings.

ARTICLE 74. The functions of the statutory meeting are as follows:- 1. Reviewing and approving the report of the promoters to establish that all shares have been duly subscribed and required amount is paid up. 2. Amending the draft articles of association and, if required, approving the same. 3. Electing the first directors and inspector or inspectors of the company. 4. Selecting a newspaper with a widespread circulation for publishing all subsequent notices and declarations of the company, given for the information of the shareholders of the company, until the convening of the first general meeting.

ARTICLE 75. At the statutory meeting, the presence of a number of subscribers who have subscribed at least 50 per cent of the share capital of the company is required. If such a quorum is not established at the first meeting, two further meetings will be called provided that on each occasion there will be an interval of at least twenty days between the convening of the new meeting and the notice quoting the agenda of the last meeting and the business transacted thereat, and publication of such notice in the newspaper specified in the prospectus. A quorum at the new meeting shall be established by the presence of the subscribers of at least one-third of the share capital of the company. The resolutions passed at such meetings are valid when they are passed by the affirmative vote of the holders of two-thirds of the shares presents at such meetings. If a quorum is not established at the third meeting then the promoters shall announce that the company has not been formed.

NOTE: At the statutory meeting, all the promoters and applicants have the right to attend and each share shall be entitled to one vote.

ARTICLE 76. If the contributions of one or several of the promoters a kind, then the promoters, before calling the statutory meeting, are required to obtain the written opinion of an expert of the Ministry of Justice, appraising such contributions, and to include the same as part of their report to the statutory meeting. If the promoters claim certain privileges for themselves, they should set forth the ground for

such claims and attach a relevant statement to their report.

ARTICLE 77. The report concerning the appraisal of contributions in kind, and the grounds for claiming privileges shall be transacted at the statutory meeting. The contributors in kind and persons claiming privileges shall be deprived of the right to vote when the appraisal of contributions in kind or privileges are put to a motion and such portion of the share capital contributed in kind which is under discussion shall not be included as part of the share capital required for a quorum.

ARTICLE 78. The statutory meeting cannot accept the valuation of contributions in kind at a higher price than that appraised by the expert of the Ministry of Justice.

ARTICLE 79. If contributions in kind or privileges claimed are not approved, another meeting shall be called with an interval of one month. During this interval, those persons whose contributions in kind were not accepted may convert their contributions into specie and pay the required sum. In the same manner, those persons whose proposed privileges were not approved may waive their claims and continue their membership in the company. If the contributors in kind and the claimants of privileges reject the resolution passed by the statutory meeting then their subscription will be rendered null and void and other applicants may subscribe in their stead.

ARTICLE 80. At the second statutory meeting, which will be convened in accordance with the provisions set forth in the foregoing article for the purpose of considering the contributions in kind and the proposed privileges, there must be present applicants who have subscribe more than fifty per centum of the shares of the company. In the notice calling the meeting, the action taken at the previous meeting and the agenda of the second meeting must be stated.

ARTICLE 81. If it becomes evident at the second meeting that, due the departure of contributors in kind or claimants of privileges or the lack of new subscribers and cash contributions, a part of the shares of the company is left unsubscribed and, therefore, the company cannot be formed, the promoters are required to notify the office of the Registrar of Companies of this state of affairs, thus enabling this office to issue the certificate mentioned in Article 19.

ARTICLE 82. In a private joint stock company, the convening of the statutory meeting is not obligatory, but the opinion of the expert mentioned in Article 76 of this Act is required and it is not permissible to accept contribution in kind at a value higher than that determined by the expert.

ARTICLE 83. Any change in the articles of association or in the share capital or in the manner of dissolution of the company before the appointed date shall fall under the exclusive jurisdiction of an extraordinary general meeting.

ARTICLE 84. At an extraordinary general meeting, the presence of the holders of more than fifty per centum of the shares entitled to vote is required. If this quorum is not established at the first meeting then another meeting should be called and the quorum of that meeting will be presence of the holders of more than one-third of the shares of the company entitled to vote, provided the action taken at the first meeting is stated.

ARTICLE 85. Resolutions passed at an extraordinary general meeting are valid when they are passed by the affirmative vote of two-thirds of those present at the meeting.

ARTICLE 86. An ordinary general meeting shall have the authority to make decisions about any affairs of the company with the exception of such affairs falling under the jurisdiction of the statutory and extraordinary general meeting of the company.

ARTICLE 87. At an ordinary general meeting, the presence of the holders of more than fifty per centum

of the shares entitled to vote is required if, at the first meeting, this quorum was not established then a second meeting will be called. At such a meeting, the presence of any number or shareholders entitled to vote shall constitute a quorum permitting the passing of valid resolutions, provided that the action taken at the first meeting is stated in the notice calling the second meeting.
ARTICLE 88. At a general meeting, all resolutions will be passed by the affirmative vote of fifty per centum plus on vote of those present at the meeting, except for the election of directors and inspectors for which a plurality shall be sufficient. In the case of election of the directors the number of votes of each voter shall be multiplied by the number of directors intended to be elected and the voting rights of each voter shall be the result gained from such multiplication. The voter may assign all his votes to one person or segregate that same between a number of persons. The articles of association may not include provisions contradictory to the above arrangement.

ARTICLE 89. An ordinary general meeting must convene once a year at the time specified in the articles of association for reviewing the balance sheet and profit and loss account of the previous year, inventories, claims and debts of the company, a statement of the annual operation of the company, the report of the directors, the report of the inspector or inspectors and other matters related tot the accounts of the fiscal year.

NOTE: Decisions taken about the balance-sheet and profit and loss account will not be valid unless the reports of the inspector is read out at the general meeting before such decisions are made.

ARTICLE 90. Distribution of profit and reserves between the shareholders is allowed after approval at a general meeting. If the company has made a profit, the distribution of 10 the per cent of the annual profit among the shareholders is obligatory.

ARTICLE 91. If the board of directors does not call the annual general meeting of the company within the appointed time, then it will be the obligation of the inspector or inspectors of the company to make such a call.

ARTICLE 92. The board of directors and the inspector or inspectors of the company may call a general meeting of the company extraordinarily when they deem it expedient. In this case, the agenda must be quoted in the notice for call.

ARTICLE 93. Whenever a general meeting intends to alter the rights of shareholders of a particular class of shares, its resolutions will not be final unless the said resolutions are approved by the holders of such class of shares at a special meeting. The resolutions of such a special meeting will not be valid unless the holders of at least fifty per centum of such class of shares, are present at the meeting. If a quorum is not established at the first meeting, a second meeting will be held and a quorum of such second meeting will be the presence of at least one third of the holders of such class of shares. The resolutions passed with the affirmative vote of two-thirds of the shareholders present shall be valid.

ARTICLE 94. No general meeting can change the nationality of a company or add to the undertakings of the shareholders.

ARTICLE 95. Shareholders who hold at least one-fifth of the shares of a company are entitled to request the board of directors to call a general meeting. The board of directors shall be bound to call a general meeting within twenty days at the latest with due observance of the formalities. If this is not done, the said applicants may ask the inspector or inspectors of the company to make such a call. The inspector or inspectors must call a meeting within ten days otherwise such shareholders shall be allowed to call general meeting directly, provided that they have performed all the formalities pertaining to the call. The notice of call should include a statement to the effect that their request was not met by the board of

directors and inspectors.
ARTICLE 96. Pursuant to Article 95, the agenda shall be limited to the items mentioned in the shareholders' application. The directorate of the meeting shall be elected form among the shareholders.

ARTICLE 97. In all cases, a call of shareholders to convene a general meeting shall take place by publication of a notice in the newspaper in which the notices of the company appear. At each annual meeting, a newspaper with a widespread circulation should be specified for publication of subsequent items of information and notices which may be given to the shareholders until the convening of the next annual meeting. Such resolution should appear in the newspaper specified for publication of the notice of the company prior to the passage of such resolution.

NOTE: When all shareholders are present at a meeting, it is not obligatory to carry out the proceedings concerning the call and publication of the notice for call.

ARTICLE 98. The interval between the publication of the notice of call of a general meeting and the date of convening shall not be less than ten days nor more than forty days.

ARTICLE 99. Before the convening of a general meeting, each shareholder shall be required to obtain an admittance card from the company on presentation of the share certificate or provisional share certificate owned by him. Only shareholders who have obtained an admittance card shall be entitled to attend the meeting. An attendance list shall be prepared in which the full identity, domicile, number of shares and number of votes of each attendant shall be reflected and such list shall be signed by the said attendants.

ARTICLE 100. In the notice calling the shareholders to convene a general meeting, the agenda, date, place of meeting, the hour and full address must be given.

ARTICLE 101. General meeting shall be managed by a directorate composed of a chairman, secretary, and two supervisors. Unless otherwise provided for in the articles of association, the meeting shall be presided over by the chairman of the board of directors, except in cases where the election or dismissal of all or a number of the directors is included in the agenda. The supervisors will be elected from among the shareholders of the company but it is not a requirement for the secretary of the meeting to be shareholder of the company.

ARTICLE 102. In all general meeting, the attendance of the attorney or legal representative of a shareholder and in the same manner the attendance of the representative or representatives of a legal entity, provided they produce documentary evidence establishing their position as proxy or representative, will be considered as the attendance of the shareholder.

ARTICLE 103. In all cases where, in this Act, "the majority of votes" is mentioned, it is meant the majority of votes of those present at the Meeting.

ARTICLE 104. If all items of business cannot be transacted at a meeting, the directorate of the meeting, with the approval of the general meeting, shall declare a recess and shall fix the date of the next meeting which shall not be longer than two weeks later. The prolongation of such a meeting shall not require a notice of call and publication. a quorum of such a meeting shall be established with the same quorum as the first meeting.

ARTICLE 105. A minute will be made of the deliberations and resolutions passed at a general meeting by the secretary of the meeting, which will be signed by the directorate, and copy thereof shall be kept at the principal office of the company.

ARTICLE 106. When the resolutions of a general meeting cover any of the following items, a copy must be forwarded to the office of the Registrar of Companies, for registration: (1) The election of directors and/or inspector or inspectors. (2) The approval of a balance sheet. (3) A decrease or increase of capital and any change in the articles of association. (4) Winding up the company and the manner of liquidation.

CHAPTER 6

BOARD OF DIRECTORS

ARTICLE 107. A joint stock company is managed by a board of directors, appointed from among the shareholders, who are wholly or partly subject to removal. The number of directors of a public joint stock company must not less than five.

ARTICLE 108. The directors of a company are elected either at the statutory meeting or at ordinary general meetings of shareholders.

ARTICLE 109. The terms of office of the directors are fixed by the articles of association.

ARTICLE 110. Legal entities may be elected as directors of a company. In this case, the legal entity shall hold the same civil liabilities as a natural person acting as a board member and shall introduce an individual as its permanent representative to discharge the directorship functions. Such representatives shall be subject to the same conditions, civil and penal liabilities of the board members and, from the civil standpoint, he shall be held jointly liable in conjunction with the legal entity which assigned him. The legal entity acting as a director of a company may at any time remove its representative provided, however, that simultaneously a successor is introduced in writing, otherwise it is considered as an absentee board member.

ARTICLE 111. The following individuals cannot be elected as directors of a company. (1) Legally incapacitated persons and those ruled as bankrupts. (2) Those who, on grounds of committing a felony or one of the following crimes, have been deprived of social rights, wholly or partly, during their deprivation: theft, breach of faith, swindling and other offences which are considered either as breaches of faith or swindling, embezzlement, deception or misappropriation of public property.

NOTE: The Court of First Instance, on the request of any interested person, will issue a judgment on removal of any director who has been elected contradictory to the provisions of this article or has been disqualified after his election. The judgment of the court is final.

ARTICLE 112. If due to death, resignation or disqualification of one or more directors, the number of directors falls below the minimum number mentioned in this Act, the alternate directors in the manner specified in the articles of association or in the manner arranged by a general meeting, shall fill the vacancies. If alternate directors are not elected or the number is not sufficient to fill the vacancies of the board of directors, then the remaining directors shall immediately call an ordinary general meeting for the purpose of completing the board of directors.

ARTICLE 113. Pursuant to Article 112, whenever the board of directors, at the case may be, refrains from calling a general meeting for the purpose of filling vacancies on the board of directors any interested person may ask the inspector or inspectors to call an ordinary general meeting for the purpose of filling the vacancies occurring on the board directors, with the observance of formalities, and the inspector or inspectors shall be bound to comply with such request.

ARTICLE 114. The directors should possess the number of shares set forth in the articles and such shares shall not be less than the number of shares required for voting at general meetings. Such shares

are placed as security against losses which may be inflicted on the company as a result of violations by the directors, whether individually or collectively. Such shares must be registered shares and non-negotiable and, as long as a director has not received discharge from the company for the period of his term of office, the said shares shall remain in the custody of the company.

ARTICLE 115. If a director at the time of his election has not in his possession the required number of director's qualification shares, or on the occasion of obligatory transfer of his qualification shares, or if there is an increase in the number of qualification shares required the said director shall be required to acquire the necessary number of shares and deposit the same with the company, otherwise he will be considered to have resigned from his office.

ARTICLE 116. The approval of the balance sheet and profit and loss account of the company for each financial period shall be considered as a discharge for such period. After the approval of the balance sheet and profit and loss account, covering the period when the directors held office, and their terms of office have expired, or if they were disqualified ad directors, their qualification shares shall be released.

ARTICLE 117. The inspector or inspectors are bound to report to the ordinary meeting of the company any deviation from the legal provisions or from the terms and conditions stipulated in the articles of association dealing with qualification shares which come to their knowledge.

ARTICLE 118. Except for matters which, in accordance with the provisions of this Act fall under the exclusive jurisdiction of general meetings of the company, the directors of the company shall have all necessary authorities for the management of the company provided, however, that their resolutions and measures fall within the subject of the company. The imposition of any limitation on the powers of the directors by the articles of association or by resolutions of a general meeting are valid in respect of relations between the directors and the shareholders but are considered as null and void vis-à-vis third parties.

ARTICLE 119. The board of directors at their first meeting shall elect from their midst a chairman and a vice-chairman, who must be natural persons, of the board of directors. The terms of office of the chairman and the vice-chairman must not exceed the periods of their directorship, respectively. The board of directors may, at any time, remove the chairman and the vice-chairman from their offices. Any procedure adopted by the articles of association in contradiction of the provisions of this article shall be considered null and void.

NOTE 1: For the purposes of this article, natural persons who have been introduced as directors in their capacity as representatives of legal entities shall be considered as board members.

NOTE 2: If the chairman is unable temporarily to perform his functions, the vice-chairman shall perform these functions.

ARTICLE 120. The chairman, in addition to calling and managing meetings of the board of directors, is bound to call general meetings whenever the board directors is required to do so.

ARTICLE 121. A quorum of the board of directors is established by the presence of more than fifty per centum of its members. Resolutions of the board of directors are valid when they are passed by the affirmative vote of the majority of directors present at the meeting, unless a higher majority is provided for by the articles of association.

ARTICLE 122. The manner of calling and convening meetings of the board of directors will be determined by the articles of association, but in any case, a number of directors who constitute one third of the board members may, at any time, call a meeting of the board of directors by quoting the agenda of the meeting provided, however, that at least one month has elapsed since convening the last meeting.

ARTICLE 123. For each meeting of the board directors, minutes must be prepared and signed by at least a majority of the directors, minutes must be prepared and signed by at least a majority of the directors who attended the meeting. In the minutes, the names of the attendants and the absentees must be mentioned, and the summary of deliberations and resolutions passed at the meeting, indicating the date, must be reflected therein. If a director expresses disagreement in whole or in part with a resolution mentioned in the minutes, his views must be recorded in the minutes.

ARTICLE 124. The board of directors must appoint a natural person as the managing director of the company and specify the scope of his authorities, term of office and his remuneration. If the managing director is also to be a board member, his term of office must not exceed the period of his directorship. The managing director cannot at the same time hold the office of chairman of the same company unless with an affirmative vote of three-quarters of the shareholders present at a meeting.

NOTE: The board of directors may remove a managing director from office at any time.

ARTICLE 125. The managing director, within the scope of authorities conferred on him by the board of directors, is considered to be a representative of the company and is authorized to sign on behalf of the company.

ARTICLE 126. The person mentioned in Article 111 cannot be appointed as managing director of a company and no person is allowed to act at the same time as a managing director for more than one company. The resolutions and actions of a managing director who has been elected in contradiction of this article shall be binding on the shareholders vis-à-vis third party and the responsibilities to the office of a managing director shall be applicable to him.

ARTICLE 127. If any person has been elected in contradiction of Article 126 in the capacity of managing director, or has been subject thereto subsequent to his election, any interested person may apply to the Court of First Instance for his removal. The judgment given by the court in this connection shall be final.

ARTICLE 128. A statement containing the name, particulars and the scope of authorities of a managing director, together with a copy of the relevant minute of the board of directors, must be submitted to the office of the Registrar of Companies, and be published in the Official Gazette after the completion of registration

ARTICLE 129. The members of the board of directors, the managing director as well as the concerns and companies which are either partners of the said board members or of the managing director or, if the said directors or the managing director act as the directors or managing director of the said concerns and companies then they (1) cannot, without the permission of the board of directors, be a party whether directly or indirectly, to a transaction consummated with or on account of the company, or share in the said transaction. Even if allowed, the board of directors shall be bound to inform the inspector(s) immediately of the transactions allowed by them and, simultaneously, submit a report to the next ordinary general meeting. The inspector(s) shall also be bound to reflect the details of such transactions in a special report which must be submitted to the same general meeting. A board member or managing director who has an interest in such transactions, shall not be allowed to vote at meeting of the board of directors and general meetings when such transactions are put to motion.

ARTICLE 130. The transactions mentioned in Article 129 are under any (1) The members of the board, managing directors or concerns mentioned above circumstances, even if disapproved by a general meeting, binding vis-a-vis a third party, with the exception of deception or fraud in which a third party has participated. If, as result of such transactions, losses are inflicted on the company, then the board of directors and the managing director or the director or directors having an interest who sanctioned such

transactions shall be jointly responsible to indemnify the company.

ARTICLE 131. If transactions mentioned in Article 129 are performed in the absence of approval of the board of directors and the ordinary general meeting does not confirm such transactions, then they will be rescindable. The company shall be entitled to apply to the court and obtain an injunction of recision of such transactions within three years from the date of their conclusion and if concluded secretly, within three years from the date they were discovered. In any case, the responsibilities of the interested director or directors or managing director vis-a-vis the company remain intact. The decision of recision rests with general meeting which will make a decision after having heard the report of the inspector on the failure to perform the formalities necessary for such transactions. A managing director having an interest shall not allowed to participate in the vote. The general meeting mentioned in this article shall be convened upon the call of the board of directors or the inspector.

ARTICLE 132. The managing director and the directors-with the exception of legal entities-will not be allowed to obtain any loan credit facilities from the company; the company will not be allowed to guarantee or assume the obligation of payment of their debts. Such transactions are void, ipso-facto. In the case of banks and financial and credit companies, the transactions mentioned in this article are permissible provided, however, that they are performed under prevailing normal terms and conditions. The prohibition mentioned in this article shall be applicable to the natural persons who represent legal entities at board meetings, moreover, the said provisions shall be applicable to the spouse, father, mother, ancestors, children, grand children, brothers and sisters of the persons mentioned in this article.

ARTICLE 133. The directors and the managing director shall not be allowed to conclude transactions identical to the transactions of the company which are considered to compete with the company. If any director, acting in contradiction of the purport of this article, inflicts a loss to the company by his violation, he shall be held responsible to indemnify the company's losses. The losses mentioned in this article purport actual losses incurred or reductions in profit.

ARTICLE 134. An ordinary general meeting may, with due observance of the actual time spent by the unsalaried directors at meetings of the board of directors, determine a fixed attendance fee proportional to the number of hours spent by each director. In addition, if so allowed by the articles of association, the general meeting may allocate a portion of the net profit of the company to be paid to the directors as bonus. Unless herein expressly mentioned, the board of directors shall not be allowed to obtain any amount of money from the company in form of salary, bonus or remuneration on a recurring or non-recurring basis by virtue of the office of director.

ARTICLE 135. All actions and measures taken by the directors, or the managing director shall be valid vis-a-vis a third party and the non-performance of formalities on their appointment will not be allowed to invalidate actions or measures taken by them.

ARTICLE 136. In the event of expiry of the terms of office of directors, their responsibilities for the affairs and management of the company shall continue until such time as new directors are appointed. If the authorities responsible for calling general meetings fail to discharge their functions, any interested person may request the office of the Registrar of Companies to arrange the convening of a general meeting for the purpose of electing directors.

ARTICLE 137. The board of directors is bound to prepare every six months a summary of the assets and liabilities of the company and submit the same to inspectors of the company.

ARTICLE 138. After the expiry of the fiscal year, the board of directors is bound to call the annual meeting of the company within the period stipulated in the article of association for approving the financial operations of the preceding year, the balance sheet and the profit and loss account of the

company.

ARTICLE 139. During fifteen days preceding the convening of a general meeting, any shareholder may, at the principal office of the company, make a copy of the balance sheet, profit and loss account, the report of the operations of the directors and the report of the auditors of the company.

ARTICLE 140. The board of directors is bound to set aside annually one-twentieth of the net profit of the company for the creation of a legal reserve fund. When the legal reserve fund has reached one-tenth of the company's capital, the transfer to the reserve will be optional. If the capital is increased, then the transfer of one-twentieth of the net profit shall continue until the legal reserve fund has reached one-tenth of the increased capital.

ARTICLE 141. In the case of the loss of a minimum of half the company's capital, the board of directors is bound to call an extraordinary general meeting immediately, with a view to deciding whether the company shall be wound up or shall continue its operations. If the said general meeting turns down the winding-up of the company with observance of the regulations laid down in Article 6 of this Act, the company's capital will be decreased. If, contrary to the foregoing article, the board of directors have not called a general meeting or if the meeting is not convened in conformity with the regulations, any interested person may apple to the competent court for the winding-up of the company.

ARTICLE 142. The directors and the managing director of a company are responsible either individually or jointly, as the case may be, vis-a-vis the company and third parties in respect of any infringement of legal regulations or the provisions stipulated in the articles of association or the minutes of general meetings. The court shall determine the scope of responsibility of each individual for indemnity purposes.

ARTICLE 143. If a company goes bankrupt or, subsequent to its winding-up, it becomes evident that the assets of the company are not adequate for the settlement of its liabilities, then the competent court may, upon the request of any interested party, condemn any of the directors or the managing director of the company, to whom, in the opinion of the court, the bankruptcy or insolvency of the company is in any manner whatsoever attributable because of their violations, to pay such portion of the liabilities which cannot otherwise be recovered from the assets of the company either jointly or severally, as the case may be.

CHAPTER 7

INSPECTORS

ARTICLE 144. The ordinary general meeting will each year elect one or more inspectors to discharge their functions in compliance with the rules set forth this Act. The inspectors(s) are eligible for re-election. An ordinary general meeting may at any time remove the inspector or inspectors upon the appointment of their successors, as the case may be.

NOTE: The Ministry of Economy may announce the names of persons who are authorised to carry out the functions of inspectors of public companies, which be included in the official list of inspectors of companies. The conditions for drafting the list determining the competence of inspectors of public companies, including the names of the qualified persons in the said list and the regulations and the structural organization of the inspectors, shall be subject to a by-law which shall become effective on the recommendation of the Ministry of Economy and the ratification of the Economy Commission of both Houses of Parliament.

ARTICLE 145. The election of the first inspector or inspectors of public joint stock companies shall be carried out at the statutory meeting and that of private joint stock companies will be carried out in compliance with the provisions of Article 20 of this Act.

ARTICLE 146. The ordinary general meeting must appoint one or several alternate inspectors to discharge the functions of inspector or inspectors in case of their disability, death, resignation or disqualification.

ARTICLE 147. The following persons cannot be appointed as the inspector of a joint stock company:-(1) The individuals mentioned in Article 111 of this Act. (2) The directors and the managing director of the company. (3) The relations of affinity and blood of the directors and managing director of the company up to third degree of first and second class. (4) Any person who either himself or his/her spouse is the salaried employees of the persons mentioned in paragraph (2) above.

ARTICLE 148. The inspector or inspectors, in addition to discharging their functions set forth in other articles of this Act, are bound to express their views on the correctness and preciseness of the abstract of assets, the statement of operations for the fiscal year, the profit and loss account and the balance sheet which the directors have prepared for submission to the general meeting and, in the same manner, on other matters and items of information which the directors have made available to the general meeting. The inspectors must convince themselves that the right of shareholders are equally observed within the limits of the law and the articles of association of the company. If the directors have given any wrong information to the ordinary general meeting, the inspector(s) must inform the ordinary general meeting of such state of affairs.

ARTICLE 149. The inspector or inspectors may at any time carry out any kind of investigation or examination and demand and examine the records, data and other information concerning the company. The inspector or inspectors in their own right are further authorized, for the proper fulfilment of the functions which they have undertaken to obtain the opinion of experts provided, however, that they have first introduced them to the company. Experts who have been assigned by the inspectors(s) have the same authorities assigned to the inspector(s) for carrying out any kind of investigation or verification.

ARTICLE 150. The inspector or inspectors are abound with due observance of Article 148 of this Act to submit a comprehensive report to the ordinary general meeting. The report of the inspectors must be made available for the reference of shareholders at the principal office of the company not later than ten days before the convening of the ordinary general meeting.

NOTE: If the company has several inspectors, then each of them may fulfil his functions individually but all the inspectors are bound to draft a collective report. If there is no unanimity between the inspectors then the controversial points must be reflected in the report assigning the grounds for each point of view.

ARTICLE 151. The inspector or inspectors are abound to report when they observe any miscarriage or fault in the affairs of the company attributable to the directors or the managing director of the company to the next general meeting. If, in the course of discharging their functions, they become aware of the existence of a crime, they must notify the competent judicial authorities and report this conduct of affairs to the next general meeting.

ARTICLE 152. If the general meeting approves the abstract of assets, balance sheet and profit and loss account of the company without having received the report of the inspector(s) or if persons acted on the strength of the report of such persons who have been appointed in contradiction of the provisions of Article 147 of this Act, such approval has no legal effect and is thus considered null and void.

ARTICLE 153. If the general meeting did not appoint an inspector, or if one or a number of inspectors, for any reason whatsoever, declines to submit a report, then the President of the Court of First Instance, upon the request of any interested party, may appoint inspectors in the number mentioned in the articles of association to carry out the necessary functions until an inspector articles of association to carry out the necessary functions until an inspector is appointed by a general meeting. The decision of the Court of First Instance is final in this connection.

ARTICLE 154. The inspector or inspectors vis-a-vis the company and third parties shall be liable to indemnify the losses caused by violations on their part in accordance with the general rules governing civil liability.

ARTICLE 155. Fixing the fees of inspector(s) is considered within the function of a general meeting.

ARTICLE 156. An inspector is not allowed to have, whether directly or indirectly, any interest in the business transaction of the company or for its account.

CHAPTER 8

ALTERATION OF CAPITAL

ARTICLE 157. The share capital of a company may be increased either by the issue of new shares or by raising the par value of the existing shares of the company.

ARTICLE 158. The payment of the par value of new shares may be effected by any of the following methods: (1) Cash payment of the par value. (2) The conversion of the matured claims of the creditors of the company into new shares. (3) Capitalizing the un-distributable profit or share premiums received on the issue of shares. (4) Conversion of debentures into stocks.

NOTE: (1) Only in private joint stock companies in it permissible that the par value of new shares may be paid in kind. (2) it is forbidden to capitalize the Legal Reserve Fund.

ARTICLE 159. An increase of capital by way of raising the par value of shares engendering financial obligations for the shareholders is not permissible unless all the shareholders agree to it.

ARTICLE 160. A company my issue new shares at par value or at premium and may transfer any premium to the reserve fund or distribute the same among the former shareholders of the company or give new shares to the former shareholders in line thereof.

ARTICLE 161. An extraordinary general meeting of a company, upon recommendation of the board of directors after having read the report of the inspector or inspectors of the company in connection with an increase of capital, shall make the decision.

NOTE 1: The extraordinary general meeting, when it approves the increase of capital of the company may determine the conditions of issue and the manner of payment of the value thereof or authorize the board of directors to make such decisions.

NOTE 2: The recommendation of the board directors concerning an increase of capital should give the grounds for the increase of capital and include a report dealing with the affairs of the company as from the commencement of the current fiscal year. If the company has not yet approved the accounts of the preceding year, then the board's report should make reference to such accounts and, in addition, the inspectors should state their views on the recommendation of the board of directors.

ARTICLE 162. The extraordinary general meeting may authorize board of directors to increase the capital of the company up to a fixed amount within a specified period of time not exceeding five years by using of the methods mentioned above.

ARTICLE 163. On each occasion that a decision regarding an increase of capital is carried out, the board of directors shall, in any case, be required to amend the articles of association and notify the office of the Registrar of Companies of such increase of capital for the purpose of registration proceedings and the issue of publicity for public information.

ARTICLE l64. The articles of association must not contain a provision authorizing the board of directors to increase the capital.

ARTICLE 165. So long the share-capital of the company has not been paid for in full, increase of the capital shall not be allowed in any manner whatsoever.

ARTICLE 166. the shareholders of a company have a pre-emptive right for subscription of new the company and such right is assignable. The period of grace which is given for exercising preemptive right shall be not less than sixty days. The effective date of such period of grace shall be the date fixed for subscription.

ARTICLE 167. An extraordinary general meeting which approves an increase of capital by issuing new shares or authorises the board of directors to do so may at same time rescind the pre-emptive right of the shareholders in subscribing the whole or a portion of new shares provided, however, that such decision is taken after having reviewed the report of board of directors and that of the inspector or inspectors; otherwise such decision is rendered an null and void.

NOTE: The report of the board of directors mentioned in this article shall contain the reasons for the increase of capital, depriving the shareholders from their pre-emptive rights, introducing the new person or persons to whom the new shares are to be allotted, the number and value of such shares, and the factors taken into consideration in arriving at such decisions. The report of the inspector in the report of the board directors.

ARTICLE 168. Pursuant to Article 167, if the pre-emptive right for subscription of the new shares is in favour of a number of shareholders to the deprivation of others, then such number of shareholders to whom the new shares are intended to be allotted shall not be allowed to participate at the deliberations and voting for the deprivation of the other shareholders. In establishing the quorum and the majority required for passing a valid resolution at the general meeting, the shares of such group of shareholders for whom the allotment of new shares is under consideration shall not be computed.

ARTICLE 169. In respect of private companies having passed a resolution for an increase of capital by way of issuing new shares, a notice must be published in the newspaper which publishes the notices of the company for the information for an increase of capital, the par value of the shares, the premium (if any), the number of shares over which each shareholder has the pre-emptive right of subscription, the period of grace granted for allotment and the manner of payment, If, for the new shares, special conditions have been determined, such conditions and the grounds for determining them must be included in the said notice.

ARTICLE 170. In respect of public companies having passed a resolution for an increase of capital by way of issuing new shares, a notice to this effect must be published in the manner stipulated in Article 169, indicating that the holders of bearer shares are required to contact the places mentioned in the notice within an abbreviated period, which under no circumstances shall be less than twenty days, and obtain the subscription for the shares over which they have pre-emptive rights. For holders of registered shares, the

subscription certificate will be forwarded via registered mail.

ARTICLE 171. The subscription certificate mentioned in the foregoing article shall contain the following information: (1) The name, registration number and the address of the principal office of the company. (2) The present capital of the company and the amount of the increase of capital. (3) The number and class of shares which the shareholder is entitled to purchase, indicating the par value and premium (if any). (4) The name of the bank and the particulars of the deposit account in which the required sum must be deposited. (5) The period of grace during which the holder of the certificate may exercise the rights mentioned in the certificate. (6) Any other conditions stipulated for subscription.

NOTE: The subscription certificate must be signed in the same manner as provided for share certificates.

ARTICLE 172. If the pre-emptive rights have been rescinded or if the shareholders have not exercised their pre-emptive rights, within the abbreviated period, as the case may be, the balance of the new shares, wholly or partly, shall be offered and sold to the applicants.

ARTICLE 173. Public joint stock companies are required to submit a prospectus to the office of the Registrar of Companies before offering the shares to the public, and obtain a receipt therefor.

ARTICLE 174. The prospectus must be signed by the officers who are authorized to sing for the company and contain the following information: (1) The name and the registration number of the company. (2) The objectives and the type of activities of the company. (3) The address of the principal office and the addresses of branches (if any). (4) If the company is formed for a limited period of time, the expiry date must be specified. (5) The share capital of the company before the proposed increase. (6) If preferred shares have been issued, an indication of the number of such shares and the privileges attached thereto. (7) The identity of the directors and managing director of the company. (8) The requirements for attendance and voting at general meetings. (9) The provisions stipulated in the articles of association concerning the manner of distribution of profit, accumulation of reserve funds, and the disposal of assets after liquidation. (10) The amount and the number of debentures convertible into stocks issued by the company and the period and the conditions for converting debentures into stocks. (11) The unpaid balance of other types of debentures which the company has issued and the securities therefor. (12) The liabilities of the company and the liabilities of third parties guaranteed by the company. (13) The amount of the proposed increase of capital. (14) The number and type of new shares which the shareholders of the company have subscribed by exercising their pre-emptive rights. (15) The commencement and expiration dates of the subscription period. (16) The par value and type of shares issued and the premium (if any). (17) The minimum number of shares which may be subscribed. (18) The name of the bank and the particulars of the deposit account in which the proceeds of the issue must be deposited and settled. (19) The name of the newspaper in which the notices and declarations of the company will be published. (20) The latest balance sheet and profit and loss account of the company approved in general meeting, attached to the prospectus, must be submitted to the office of the Registrar of Companies. If the company has not yet prepared a balance sheet, this fact must be stated in the prospectus.

ARTICLE 175. The latest balance sheet and profit and loss account of the company which have been approved in general meeting must be submitted to the office of the Registrar of Companies together with the draft prospectus for the new shares. If the company at that time has not yet prepared a balance sheet, this fact must be reflected in the draft prospectus.

ARTICLE 176. The office of the Registrar of Companies, after having received and approved the

prospectus and considered the same to be in compliance the law will authorize its publication.

ARTICLE 177. The prospectus for the new shares must be published in at least two newspapers with a widespread circulation other than the newspaper designated for publishing the notices of the company and must also be displayed in a prominent place on the premises where the subscription of shares takes place for the observance of interested parties. It must be stated in the prospectus that the latest balance sheet and profit and loss account of the company approved in general meeting have been filed with the office of the Registrar of Companies and are available at the principal office of the company.

ARTICLE 178. Applicants must approach the bank, sign the forms for subscription of shares and pay the required sums against receipts within the abbreviated period mentioned in the prospectus which must be not less than two months.

ARTICLE 179. Subscription of new shares in accordance with the subscription form must contain the following information: (1) Name, objectives, address of the principal office and the registration number of the company. (2) The capital of the company before the proposed increase. (3) The amount of the increase of capital. (4) The number and date of the authorization for publication of the prospectus and the name of the authority which issued the same. (5) The number and type of shares which are hereby subscribed and the par value thereof. (6) The name and the number of the bank account in which the par value must be deposited. (7) The full identity and address of the applicant.

ARTICLE 180. The provisions of Articles 14 and 15 of this Act are mutatis mutandis applicable to the application for new shares.

ARTICLE 181. After the expiry of the period appointed for application, or any extended period at the latest, the board of directors must consider the applications and shall allot and announce the shares allotted to each applicant and shall inform the office of the Registrar of Companies for registration and publicity purposes. If, after reviewing the applications, it is established that the value of the number of shares covered by such applications exceeds the amount of the increase, the board of directors shall allot shares to each applicant and instruct the bank to return the surplus amounts.

ARTICLE 182. If the increase of capital is not registered within nine months from the date of submission of the prospectus mentioned in Article 174, then, at the request of the applicants for the new shares, the office of the Registrar of Companies shall issue a certificate of non-registration of the increase of capital and forward the same to the bank of which payments have been made, enabling the applicants to get their money refunded. In this case, all expenses incurred or undertaken shall be borne by the company.

ARTICLE 183. To effect the registration of the increase of capital in private companies, it will be sufficient for all purposes to submit the declaration together with the following documents: (1) The minute of the extraordinary general meeting which approved the increase of capital or authorized the board of directors to do so and, in the latter case, the minute of the meeting of the board of directors at which the increase of capital was approved. (2) An issue of the newspaper containing the notice mentioned in article 169. (3) A declaration to the effect that all new shares have been disposed of. If certain privileges are attached to the new shares, then an account of such privileges and the grounds for them should be specified in the declaration. (4) If a portion of the contribution for the new shares is kind, then an extraordinary meeting will be held in the presence of the shareholders of the company and new subscribers and all the rules set forth in Articles 77 to 81, where applicable to the contribution in kind, shall be observed. A copy of the minutes of this meeting shall be attached to the declaration.

NOTE: The declaration mentioned in this article must be signed by all directors.

ARTICLE 184. The monies which will be deposited for the increase of capital shall be kept in a

special account. The said funds shall not be subject to any attachment or seizure and shall not be transferable to other accounts of the company unless the increase of capital has been duly registered.

ARTICLE 185. If the extraordinary general meeting approves the increase of capital by way of capitalizing the matured cash liabilities of the company, new shares will be issued as a result of such increase of capital. The creditors intending to subscribe new shares shall sing application forms.

ARTICLE 186. The application forms for the subscription of new shares mentioned in Article 185 shall include the information mentioned in paragraphs (1), (2), (3), (5), (7), and (8) of Article 179.

ARTICLE 185. If the extraordinary general meeting approves the increase of capital by way of capitalizing the matured cash liabilities of the company, new shares will be issued as a result of such increase of capital. The creditors intending to subscribe new shares shall sing application forms.

ARTICLE 186. The application forms for the subscription of new shares mentioned in Article 185 shall include the information mentioned in paragraphs (1), (2), (3), (5), (7), and (8) of Article 179.
ARTICLE 187. Pursuant to Article 185, after having performed the subscription proceedings, the following documents must be submitted to the office of the Registrar of Companies for effecting registration: (1) A complete statement of the matured cash liabilities, converted into shares of the company, together with the supporting documents indicating that such accounts were settled, duly verified by the inspectors of the company. (2) The minute of the extraordinary general meeting, together with the declaration of the board of directors of the company to the effect that the shares, in their entirety, were subscribed and the value thereof was received.

ARTICLE 188. When the share capital of a company is increased by way of raising the value of existing shares, the total amount of the increase must be paid in specie and, for the new shares which will be issued in this connection, the value thereof must be either paid in cash or offset as the case may be.

ARTICLE 189. In addition to the obligatory decrease of capital mentioned in Article 141, an extraordinary general meeting of the company may, at any time, voluntarily diminish the share capital of the company provided, however, that by such decrease of capital the equality of the rights of shareholders will not be affected and that the share-capital of the company will not become less that the minimum set forth in Article 5 of this Act.

NOTE: An obligatory decrease of capital will take place by way of diminishing the number of shares or by way of diminishing the par value of shares and a voluntary decrease of capital will take place by diminishing the par value of the shares equally and returning the amount so decreased to each shareholder.

ARTICLE 190. The recommendations of the board of directors concerning a decrease of capital must be submitted at least forty-five days before the convening of the general meeting to the inspectors of the company. The above recommendations should contain the reasons and grounds for decreasing the capital of the company and the date of affairs of the company during the current year.

If the company has not yet approved the accounts of the preceding year, then the state of affairs of the preceding year of the company must by reflected.

ARTICLE 191. The inspector or inspectors of the company shall consider the recommendations of the board of directors and shall express their views in a written report for submission to the general meeting which, after having reviewed the report, shall make its decision.

ARTICLE 192. The board of directors shall, before taking any measures to effect the voluntary decrease of the capital, publish the resolution of the board of directors for a maximum period of one month in the

Official Gazette and the newspaper in which the notices of the company are published.

ARTICLE 193. On the occasion of a voluntary decrease of capital, each of the debenture holders of creditors whose claim has originated prior to the publication of the last notice mentioned in Article 192 shall be entitled to protest such decrease of capital to the court within two months after the publication of the said notice.

ARTICLE 194. If, in the opinion of the court, an objection against the decrease of capital is justified and the company refrains from giving adequate security as determined in the court, then the debts of the company shall fall due and payable and the court shall issue the verdict for payment.
ARTICLE 195. A company shall not be allowed to decrease its capital before the expiry of the two months' period of grace mentioned in Article 193 and, similarly, if any objection is raised, unless the final verdict of the court is issued and executed.

ARTICLE 196. For the purpose of decreasing the par value of shares and the nature of the decreased amount of each share, the board of directors should inform the shareholders in a written statement. A notice shall appear in the newspaper which publishes the notices of the company and, in the case of holders of registered shares, such notice shall be forwarded to them by registered mail.

ARTICLE 197. The notice mentioned in Article 196 shall contain the following information: (1) The name and the address of the principal office of the company. (2) The capital of the company before the resolution for the decrease of capital is passed. (3) The amount of decrease applicable to each share (in other words, the par value of each share after the decrease of capital. (4) The manner of repayment, the period of grace allowed for repayment and the place of repayment.

ARTICLE 198. A company is forbidden to redeem is own shares.

CHAPTER 9

WINDING-UP AND LIQUIDATION

ARTICLE 199. A joint stock company must be dissolved: (1) When the company has carried out the task for which it has been formed or if the carrying out of such a task becomes impossible; or
(2) When a company has been formed for a fixed period which has expired, unless the period has been extended before such expiry date; or (3) When it becomes bankrupt; or (4) When an extraordinary general meeting has passed, for any reason whatsoever, a resolution to this effect; or
(5) When a final judgment is issued by the courts of justice.

ARTICLE 200. In the case of bankruptcy, the dissolution of a company shall be subject to bankruptcy proceedings.

ARTICLE 201. In the following cases, any interested person may apply to the court for the winding-up of a company: (1) When no measures are taken with a view to carrying out the objectives of the company within on year after formation or, if there is a break in the activities of the company, for more than one year. (2) When a general meeting of the company is not held for the purpose of approving the accounts of each of the previous fiscal years up to ten months after the period fixed in the articles of association. (3) When the position of all or a number of directors of the company or that of the managing director of the company has remained vacant for a period exceeding six months. (4) In the case of sections (1) and (2) of Article 199, when an extraordinary general meeting is not held or, if held, no resolution is passed for the

purpose of winding up the company.

ARTICLE 202. Pursuant to sections (1), (2) and (3) of the foregoing article, the court may grant an extension to the authorities empowered to act on behalf of a company, either by virtue of its articles of association or by virtue of this Act, not exceeding six months, for them to remove the causes which gave rise to the winding-up of the company. If such causes cannot be removed, then the court will declare the company bankrupt.

ARTICLE 203. The liquidation of the a company will take place in accordance with the provisions of this Act with the exception of bankruptcy which will be subject to bankruptcy proceedings.
ARTICLE 204. The liquidation of the affairs of a company is vested in the directors of that company unless otherwise provide for in the articles of association or if an extraordinary general meeting of the company adopts a different arrangement.

ARTICLE 205. If for any reason whatever, a liquidator is not appointed or if appointed, he fails to perform his functions, then any interested party may apply to the court of justice for the appointment of a liquidator. In cases where the winding-up of a company takes place according to a verdict of the court of justice, the said court shall appoint a liquidator in its bankruptcy verdict.

ARTICLE 206. A company, with immediate effect after its winding-up, is considered to be a company in liquidation and the phrase "in liquidation" must appear after the name and style of the company and, in the same manner, the name of the liquidator or liquidators must appear in all letter-heads and publications of that company.

ARTICLE 207. The address of the liquidator or liquidators shall be the same as the principal office of the company unless, by a resolution of an extraordinary general meeting or by a decision of the court of justice, another address is adopted.

ARTICLE 208. The legal entity of a company shall remain in full force and effect until the liquidation is completed and the liquidator or liquidators are required to complete the liquidation, settle the liabilities, collect the amounts due to the company and distribute the assets of the company. if, for the purpose of carrying out the obligations of the company, it becomes necessary to enter into new transactions, the liquidators may do so.

ARTICLE 209. The office of the Registrar of Companies must be notified by the liquidator(s) of the resolutions concerning the dissolution and the names and addresses of the liquidators, with due observance of the provisions of Article 207, within five days for the purpose of registration proceedings and the publication of this state of affairs in the Official Gazette and in the newspaper in which all notices of the company are published. During liquidation proceedings, the same newspaper, which had been designated by the last general meeting of the company held before the dissolution of the company, shall be used.

ARTICLE 210. Dissolution of a company, so long as it is not registered and announced, shall not affect third parties.

ARTICLE 211. Immediately after the appointment of the liquidators, the powers and authorities of the director or directors of the company will be extinguished and liquidation will start. The liquidators are required to take delivery of all assets, books and records pertaining to the company and proceed with the liquidation of the company.

ARTICLE 212. The liquidators are considered to be representatives of the company and they shall possess all necessary powers to facilitate the liquidation of the company, including instituting lawsuits

and referring cases to arbitration and compromise. They are further authorized to hire barristers to institute lawsuits and defense proceedings. Restrictions or limitations imposed on the authority of the liquidators shall be considered to be null and void.

ARTICLE 213. It is forbidden to transfer the affairs of a company, wholly or partly, to the liquidators or to their relatives of the first and second class up to the fourth degree. Any transfer or conveyance which may take place contradictory to such provisions is rendered null and void.

ARTICLE 214. The term of office of the liquidator or liquidators shall not exceed two years and if, before the expiry of this period, the liquidation proceedings are not completed, then they shall submit a report giving the reasons why they were unable to complete the liquidation proceedings, they policy adopted by them for completing the proceedings and, in conclusion, ask for an extension of the period.

ARTICLE 215 If the liquidator or liquidators have been appointed by the court, then the authority for an extension of the period, with due observance of the provisions of Article 214, shall rest with the court.

ARTICLE 216. The liquidator or liquidators may be the removed by the authorities which appointed them.

ARTICLE 217. As long as the liquidation proceedings are not completed, the liquidators shall every year call a general meeting, with due observance of the formalities mentioned in this Act and the articles of association, and submit to the general meeting an inventory if moveable and immovable property, a balance sheet and profit and loss account with a report stating the measures taken by them.

ARTICLE 218. If, by virtue of the articles of association or by virtue of a resolution of a general meeting, one or more supervisors have been appointed for liquidation proceedings, then the supervisors must also submit their report to general meetings.

ARTICLE 219. The liquidators shall be under legal obligation to call general meetings of the company and, if they fail to do so, it will be the obligation of the supervisor(s) to make such calls. If the supervisor(s) fail to fulfill their obligation and in case where no supervisor was appointed, then the court shall call a general meeting at the request of any interested party.

ARTICLE 220. The shareholders of a company are entitled to obtain information concerning the account of the company to the same extent as they were before the dissolution of the company.

ARTICLE 221. During liquidation proceedings, the provisions governing calls of extraordinary meetings, quorum and the required majority for passing resolutions shall remain in full force and effect to the same extent as before the dissolution and every notice and statement given by the liquidators for shareholders must be published in the same newspaper which publishes the notice of the company.

ARTICLE 222. In cases where the directors are required by the provisions of this Act to call general meetings and submit their reports, then, if an ordinary meeting is not held after two calls and, if held, fails to pass any resolution, then the liquidators should publish their reports together with the accounts mentioned in Article 217 of this Act the newspaper which publishes the notices and statements of the company for public information.

ARTICLE 223. Such portion of the cash assets of the company which is not required during the liquidation proceedings may be distributed among the shareholders, provided, however, that the rights of creditors have not been affected thereby and that provision is made for repayment of unmatured debts.

ARTICLE 224. After completion of the liquidation proceedings, fulfillment of all obligations and

payments of debts, the assets of the company shall be first applied against the repayment of the par value of shares to shareholders and the balance shall be disposed of in the manner provided for in the article of association and, if the articles of association do not contain any provision in this respect, then such balance shall be distributed to shareholder of the company proportionately to their holdings.
ARTICLE 225. No distribution of the assets, whether during the liquidation proceedings or thereafter, shall take place unless the notice stating the commencement of liquidation and the call for creditors have been published three times, with an interval of one month between each call, both in the Official Gazette and in the newspaper which publishes the notices and statements of the company and at least six months have elapsed from the publication of the first notice.

ARTICLE 226. Infringement of Article 225 shall hold the liquidators liable to indemnify creditors who have not collected the amounts due them.

ARTICLE 227. The liquidators are bound to notify the office of the Registrar Companies of the completion of liquidation proceedings within one month thereof in other to register the same and publish the case in the Official Gazette and the newspaper in which the notices of the company are published and, in conclusion, to strike off the name of the company from the register of companies.

ARTICLE 228. After the announcement of the completion of liquidation proceedings, if there remain any funds in the hands of liquidators, they shall be required to deposit such funds with a bank in Iran and furnish the said bank with a list of creditors and shareholders who have not then collected the proceeds to which they are entitled, and inform the interested parties of such state of affairs by publishing a notice in the press as mentioned in the foregoing article, enabling to approach the bank and collect the amounts payable to them. Ten years after the expiry of the publication of the completion of the liquidation proceedings, any balance remaining deposited with the bank shall be considered as property of unknown ownership and be handed over to the General Treasury with the information of the Public Prosecutor of the Court of First Instance.

ARTICLE 229. The books, records and other documents of a liquidated company must be kept for a period of ten years as from the date of completion of liquidation proceedings. Accordingly, the liquidators shall, upon the completion of liquidation proceedings, hand over to the office of the Registrar of Companies all the books, records and other documents which shall be open for the inspection of interested parties.

ARTICLE 230. If a liquidator intends to resign, he shall be required to call a general meeting for the announcement of his resignation and the appointment of a successor. If a general meeting is not held or, if held, it fails to arrive at a final decision or if the liquidator has been appointed by the court, then the liquidator shall be bound to express his intention to the court and ask the court to appoint a successor, In any case, as long as a successor to the liquidator has not been appointed and this fact has not been registered and published in accordance with Article 209, the resignation of the liquidator shall not be valid.

ARTICLE 231. In the event of death, incapacity or bankruptcy of a liquidator, or if there are several liquidators and the deceased liquidator has been appointed by a general meeting of the company, the remaining liquidators must call an ordinary general meeting for the purpose of appointing a successor to the deceased or incapacitated or bankrupt liquidator. If a general meeting is not held or if a general meeting fails to make such appointment or if the liquidators have been appointed by the court, then the remaining liquidators shall apply to the court for appointment of a successor to the deceased, incapacitated or bankrupt liquidator. If the liquidation of the affairs of a company is vested exclusively in any individual, then in the event of death, incapacity or bankruptcy of the liquidator, any interested

person may ask the office of the Registrar of Companies to call an ordinary general meeting for the appointment of a successor to the liquidator. If an ordinary general meeting is not held or if a general meeting fails to make an appointment or if the deceased, incapacitated or bankrupt liquidator, as the case may be, has been appointed by the court, then any interested person may apply to the court for the appointment of such successor.

CHAPTER 10

ACCOUNTS

ARTICLE 232. The board of directors shall, after the expiry of the fiscal year, prepare an inventory of the assets and liabilities of the company as at the last day of the preceding year, a balance sheet, operating account and profit and loss account, together with a report reflecting the actives and the general condition of the company during the said fiscal year. The documents mentioned in this article must be made available to the inspectors not later than twenty days before the convening of the meeting (of shareholders).

ARTICLE 233. In the preparation of the operating account, profit and loss account and balance sheet, the same form and method of appraisal used in the preceding fiscal year should be adopted, Nevertheless, if an alteration in form and method is introduced, the documents must be appraised in both forms and methods, enabling the general meeting to make a decision on the proposed alterations by way of comparison in considering the reports of the board of directors and the inspectors.

ARTICLE 234. In the balance sheet, depreciation of assets and required transfers to reserves must be taken into account even if, after having deducted depreciation and transfers to reserves, there remains not profit or an inadequate distributable profit. A fall in the value of fixed assets whether resulting from normal wear and tear or technical alteration or any other reason whatsoever must be included in the depreciation charge. In order to compensate for possible conceivable diminution in the value of other assets, possible losses and unforeseen expenses, it is required that reserve funds must be accumulated.

ARTICLE 235. Liabilities guaranteed by a company must be entered at the foot of the balance sheet indicating the amount so guaranteed.

ARTICLE 236. Establishment expenses of a company must be amortized before the distribution of any profit. Expenses incurred for an increase of capital must to amortized within a maximum period of five years, commencing from the date that such expenses were incurred. If new shares are issued at a premium, as a result of an increase of capital, then the expenses of the increase of capital may be amortized from this source.

ARTICLE 237. The net profit of every financial year will be the income derived during that year less the expenses, depreciation and transfers to reserves.

ARTICLE 238. One-twentieth of the net profit of a company must be set aside every year for accumulating the Legal Reserve in accordance with the provision set forth in Article 140, after having deducted therefrom all losses incurred during the preceding years.

ARTICLE 239. Distributable profit is the net profit of a company earned during a given fiscal year less losses incurred during preceding years, the transfer to reserve fund mentioned in Article 238 and other optional reserves plus distributable profit of the preceding years not previously distributed.
ARTICLE 240. A general meeting, after having approved the accounts of the fiscal year and having

satisfied itself that there exists distributable profit, shall determine the proportion thereof which should be distributed. Moreover, the general meeting may decide to distribute a portion of the reserves at its disposal among the shareholders. In this case, the funds which will be deducted and distributed must be expressly mentioned in the resolution. Any profit which is distributed in contradiction of the regulations of this Act is considered to be a fictitious profit. The general meeting shall determine the manner of payment of distributable profit and, if no determination is made in this respect, then the board of directors shall determine the manner of payment. Under any circumstances the profit must be distributed among the shareholders not later than eight months after a resolution is passed in this respect by the general meeting.

ARTICLE 241. Subject to the provisions set forth in Article 134, any fixed proportion of the net profit of the company which might be allocated as the bonus of the board directors must not exceed five per centum of the total profit paid during the same fiscal year to the shareholders of public companies, and ten per centum of the total profit paid during the same fiscal year to the shareholders of a private company. The provision of the article of association and any resolution passed contradictory to the provisions of this article shall be rendered null and void.

ARTICLE 242. In public companies, the board of directors shall be bound to attach the report of the official accountants to the profit and loss account and the balance sheet of the company. The official accountants, in addition to expressing their opinion on the accounts of the company. must certify that all books, documents, invoices and necessary items of information were made available to them and that the profit and loss account and balance sheet prepared by the board of directors reflect the financial position of the company in a correct and clear manner.

NOTE: By the term "official accountants" used in this article, it is meant the official accountants who are the subject matter of Chapter 7 of the Direct Taxation Act approved in Esfand 1345. If the manner of appointment of the official accountants is changed or if they are called by another name or title by a new enactment, such variations shall be applicable to the accountants mentioned in this article.

CHAPTER 11

PENAL PROVISIONS

ARTICLE 243. The following persons shall be condemned to simple imprisonment ranging form three months to two years or to a cash penalty ranging from twenty thousand Rials to two hundred thousand Rial or to both penalties: (1) Any person who intentionally and falsely certifies the subscription of shares or issues a false prospectus or submits false document to the office of the Registrar of Companies purporting to be the establishment of a company or appraises contributions in kind in a fraudulent manner. (2) Any person who indicates in a share certificate or provisional certificate that the paid-up capital is higher than the amount that has actually been paid. (3) Any person who refrains from announcing all the facts and items of information required by this Act, wholly or partly, to the office of the Registrar of Companies or makes a false statement. (4) Any person who issues shares or bonds before a company is registered or, if the company is registered, in a fraudulent manner. (5) Any person who issues shares of bonds without the subscription of the share capital in its entirety or without payment in cash of thirty-five per centum of the share capital or without having delivered contributions in kind. (6) Any person who, before payment of the total nominal value of a share, issues a bearer or a provisional share.

ARTICLE 244. The following persons shall be condemned to simple imprisonment for a period ranging from three months up to one year or to a cash penalty ranging from fifty thousand Rials or to both penalties: (1) Any person who intentionally issues or sells or offers for sale share certificates or provisional certificates without indicating the nominal value thereof. (2) Any person who issues or sells or offers for sale bearer shares before has been paid in cash. (3) Any person who issues or sells or offers for sale registered shares before the payment of the minimum sum of thirty five per centum of the total par

value thereof.

ARTICLE 245. Any person who intentionally participates in any of the actions mentioned in Article 244 or facilities any of these actions, as the case may be, shall be condemned in the same way as a perpetrator of or accessory to the crime.

ARTICLE 246. The chairman and the members or the board of directors of any joint stock company, in the case of committing any of the following offences, shall be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from thirty thousand Rials up to three hundred thousand Rials or to both penalties. (1) If they do not call the unpaid balance of the company or do not call an extraordinary general meeting of the company for the purpose of decreasing the share capital of the company by the extent of the unpaid capital. (2) If, before payment of the total share capital, they issue or allow the issue of debentures.

ARTICLE 247. Pursuant to paragraph (1) of Article 246, if any member of the board of directors, before the expiry of the period of grace, gives warning at the general meeting of the necessity or the performance of legal obligations but no attention is paid to such warning by the other board members and if a violation is committed the board member who has given such warning will be held responsible unless, however, that in addition to giving such a warning he serves a legal notification on each board member individually. If meetings of the board of directors are not held for any reason whatsoever, the giving of such a warning be legal notification will be sufficient for relieving a board member from penal responsibility.

ARTICLE 248. Any person who issues a prospectus or a statement for debentures without authorized signatures and the names of the promoters and directors shall be liable to a cash penalty ranging from ten thousand Rials up to thirty thousand Rials.

ARTICLE 249. Any person who maliciously encourages the public to subscribe for a negotiable instrument of a company by way of issuing a prospectus or a statement for debentures containing false or imperfect items of information or gives false or imperfect information for the preparation of such a prospectus or statement shall be condemned to the penalty stipulated for the commencement of swindling and, if any transaction is performed, then the perpetrator shall be considered as a swindler and shall undergo the punishment prescribed by law.

ARTICLE 250. The chairman and the members of the board of directors of any public joint stock company who, prior to the payment of the share capital in its entirety and before the lapse of two full years from the registration of the company and the approval of two balance sheets in general meetings, issue debentures shall be liable to cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials.

ARTICLE 251. The chairman and the members of the board of directors of a public joint stock company who issue debentures without having observed the provisions of Article 56 of this Act shall be condemned to simple imprisonment for a period ranging from three months up a two years and a cash

penalty ranging from twenty thousand Rials up to two hundred thousand Rials.

ARTICLE 252. The chairman and the members of the board of directors and the managing director of a public joint stock company who do not include the points mentioned in Article 60 of this Act in a statement for debentures shall be liable to cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials.

ARTICLE 253. The following persons shall be condemned to simple imprisonment for a period ranging from three months up to one year or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials or to both penalties: (1) Any person who intentionally prevents shareholders from attending an ordinary general meeting of shareholders. (2) Any person who maliciously and fraudulently misrepresents himself to be the holder of shares or bonds of a company and thereby attends a general meeting of a company, whether he acts in person or through a third party.

ARTICLE 254. The chairman and the directors of a joint stock company who, within a maximum period of six months after the expiry of a fiscal year, do not call a general meeting or do not prepare and submit in due course of time the documents mentioned in Article 232 shall be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials or to both penalties.

ARTICLE 255. The chairman and the directors of a company who do not prepare the attendance list of those present at a meeting in compliance with the provisions of Article 99 shall be liable to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials.

ARTICLE 256. The directorate of a general who have not drafted the statement mentioned in Article 105 shall suffer the penalty mentioned in the foregoing article.

ARTICLE 257. The chairman and the members of the directorate of a general meeting who have infringed the provisions governing the voting rights of the shareholders shall suffer the penalty provided for in Article 255.

ARTICLE 258. The following persons shall be condemned to simple imprisonment for a period ranging from one year to three years: (1) The chairman, the directors and the managing director, who in the absence of an inventory and balance sheet or based on a false inventory and balance sheet, distribute fictitious profits among the shareholders. (2) The chairman, the directors and the managing director who submit or issue a false balance sheet with a view to concealing the true position of the company from the shareholders. (3) The chairman, the directors and the managing director who use the property or credits of the company against the interests of the company to their own advantage or the advantage of another company or concern in which they are either directly or indirectly interested. (4) The chairman, the directors and the managing director of a company who maliciously misuse the powers vested in them against the interests of the company to their advantage or to the advantage of another company or concern in which they are either directly or indirectly interested.

ARTICLE 259. The chairman, and the directors of a company who intentionally do not call general meetings of the company when intended to convene for the purpose of electing inspectors or do not call the inspectors to attend general meetings will be condemned do simple imprisonment for a period ranging from twenty thousand Rials to two hundred thousand rails or to both penalties.

ARTICLE 260. The chairman, the directors and the managing director, who intentionally hinder or create obstacles for the inspectors in discharging their functions or do not put at the disposal of the inspectors the documents and records which are required for discharging their functions, will be

condemned to simple imprisonment for a period ranging from three months to two years or to a cash penalty ranging from twenty thousand Rials so two hundred thousand Rials.

ARTICLE 261. The chairman, the directors and the managing director of a joint stock company who, before the registration of the company and, similarly, in the event of a fraudulent increase of capital or non-performance of the necessary formalities, issue and publish shares or bonds shall be liable to a cash penalty ranging from ten thousand to one hundred thousand Rials, or, if they issue and publish new shares or bonds before payment of the full par value of the old shares, they will be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials.

ARTICLE 262. The chairman, the directors and the managing director who commit the offences mentioned below shall be liable to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials: (1) If, at the time of increasing the capital, with the exception of cases provided for in this Act, they do not observe the pre-emptive right of the shareholders for subscription and purchase of new shares or do not grant the period of grace allowed for subscription by the shareholder. (2) If the company has previously issued debentures convertible in to stocks and the rights of such debenture-holders for conversion of their debentures into stocks are ignored or, if before the expiry of the period allowed for conversion of such debentures into stocks, the company issues new debentures exchangeable or convertible into stocks, or before the exchange or conversion of debentures into stocks or redemption thereof the company amortized the share capital or otherwise diminished the same by way of redemption of shares or distributed the reserves or otherwise altered the manner of distribution of profit.

ARTICLE 263. The chairman, the directors and the managing director, who intentionally give false information to the shareholders or testify to false information with a view to depriving the shareholders of their pre-emptive rights for subscription of new shares, will be condemned to simple imprisonment for a period ranging from six months up to three years or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials or to both penalties.

ARTICLE 264. The chairman and the directors of a joint stock company who do not observe the following rules in diminishing the share capital of the company shall be liable to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials: (1) Non-observance of the quality of the rights of the shareholders. (2) If a recommendation for a decrease of the capital is not conveyed to the inspectors at least forty-five days before the convention of the extraordinary general meeting. (3) If a resolution of a general meeting with respect to the decrease of capital and the period of grace and the terms and conditions thereof are not published in the Official Gazette and the newspaper in which the notices of the company are published and announced.

ARTICLE 265. If the chairman and the directors of a joint stock company do not call an extraordinary general meeting of the company to decide whether to dissolve the company or continue its activities when the company has lost more than fifty per centum of its capital and do not proceed with the registration and publication of a resolution to this effect within one month, they will be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from ten thousand Rials up to one hundred thousand Rials or to both penalties.

ARTICLE 266. Any person with a legal impediment who knowingly accept the position of an inspector in a joint stock company and carries out the functions attached to such office will be condemned to simple imprisonment for a period ranging from two months up to six months and to a cash penalty ranging from twenty thousand Rials up to one hundred thousand Rials or to both penalties.

ARTICLE 267. Any person who knowingly in his official capacity as the inspector of a company gives false information to general meeting or testifies to such information will be condemned to simple imprisonment for a period ranging from three months up to two years.

ARTICLE 268. Liquidators of a joint stock company who intentionally commit the offences mentioned below shall be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials or to both penalties: (1) If they fail, within one month after being appointed, to notify the office of the Registrar of Companies of the resolution regarding the winding-up of the company and of their own addresses. (2) If, for up to six months after the commencement of liquidation proceedings, they do not call an ordinary general meeting of the company and do not report to the shareholders the position of the assets, the amounts due to the company, the debts of the company, the manner of liquidation and the period required for completing the liquidation proceedings. (3) If, before the completion of liquidation proceedings, they fail to call every year a general meeting of the company in compliance with the conditions and formalities stipulated in this Act and the articles of association of the company and do not submit an inventory of the movable and immovable property of the company, a balance sheet and a profit and loss account of their operations together with a report reflecting the activities carried out up to such time. (4) If they carry out their functions upon the expiry of their term of office without demanding an extension. (5) If, within one month after the completion of liquidation proceedings, the office of the Registrar of Companies is not notified of such state of affairs. (6) If, after the completion of liquidation proceedings, the proceeds left with them are not deposited in a bank in Iran and if they fail to furnish the bank with the list of the creditors and the shareholders who have not received the amounts to which they are entitled and do not notify interested persons by a notice published in the press indicating the completion of liquidation proceedings.

ARTICLE 269. The liquidator or the directors of a company who commit any of the offences mentioned below shall be condemned to simple imprisonment for a period ranging from one to three years. (1) When the property or credits of the company in liquidation are used against the interests of the company for their private purposes or for the purposes of another company or concern in which they are directly or indirectly interested. (2) When they transfer the assets of the company in contradiction with the provisions of Article 213 or distribute the assets among the shareholders without having observed the rights of creditors and having subtracted therefrom debts which had not matured at such time.

CHAPTER 12

MISCELLANEOUS PROVISIONS GOVERNING JOINT STOCK COMPANIES

ARTICLE 270. When the legal requirements for formation of a joint stock company are not complied with or when the organizers of the company do not observe such requirements in conducting the affairs of the company or in passing resolutions, any interested person may apply to the court and request that the court pronounce a judgment of the nullity of the company or its operations or its resolutions, as the case may be, but the promoters, directors and inspectors of the company cannot invoke such nullity vis-a-vis a third party.

ARTICLE 271. If, before the issue of a judgment of nullity, the grounds which give rise to such claim are removed in the preliminary legal stages, the court will repudiate the claim and dispose of the case. If the chairman or any of the directors or the managing director are held responsible by the court, they will be bound to indemnify the company and pay the relevant legal expenses to the company. The charges

borne by the claimant shall be refunded out of the amounts adjudged in favour of the company. If the claimants lose their case, then they shall be held responsible for the payment of the relevant legal expenses.

ARTICLE 272. The court dealing with the claim of nullity may, at the request of a defendant, grant a period of grace not exceeding six months to remove the grounds for the claim of nullity. Such period of grace shall run from the date when the docket was delivered to the court by the clerk of the court. If, during the period of grace granted by the court, the grounds of nullity are not removed, then the court shall issue the judgement which it deems proper.

ARTICLE 273. If the final judgment of the court is issued to the effect of nullity of the company or its operation or its resolutions, as the case may be, then those who are held responsible for such nullity will be liable to indemnify the shareholders and third parties for losses incurred as a result of such nullity.

ARTICLE 274. The court which issues a judgment of nullity shall simultaneously appoint one or several persons as the liquidators of the company to discharge their functions in accordance with the provisions of this Act.

ARTICLE 275. In all cases where the court appoints the liquidator of the company either as a result of winding-up or nullity of the company and the liquidator or liquidators so appointed refuse to accept such position, the court will refer the liquidation of the company to the Bankruptcy Administration.

NOTE: The fee of the liquidator of liquidators appointed by the court will be determined by the court.

ARTICLE 267. An individuals who hold at least one-fifth of the total shares of the company may sue the chairman, directors or the managing director of the company at their own expense and demand indemnity for the losses which have incurred on the grounds of infringement or fault on the part of the said chairman, directors or managing director. If the chairman or any of the directors or the managing director are held responsible by the court, they will be bound to indemnify the company and pay the legal expenses to the company. The charges borne by the claimant shall be refunded out of the amounts adjudged in favour of the company. If the claimants lose their case, then they shall be held responsible for the payment of legal expenses.
ARTICLE 277. The provisions of the articles of association and the resolution of general meetings shall not impose restrictions on the shareholders in bringing legal proceedings against the directors.

ARTICLE 278. A private joint stock company may be transformed into a public joint stock company when: (1) a resolution to this effect is passed by an extraordinary general meeting of the private joint stock company; or (2) the share capital of the company is at the level of the minimum amount stipulated by this Act for public joint stock companies or the share capital is increased to such level; or (3) two years have elapsed since the formation of the company and two balance sheets have been approved in general meeting; or (4) the articles of association have been drafted or amended in conformity with the rules stipulated by this Act for public joint stock companies.

ARTICLE 279. A private joint stock company should, within one month from the date an extraordinary meeting has approved such transformation, submit the minute of the extraordinary general meeting together with the following documents: (1) The articles of association prepared for the public joint stock company approved by an extraordinary general meeting. (2) Two balance sheets together with profit and loss accounts mentioned in Article 278, duly confirmed by the official accountants. (3) An inventory of the assets of the company (submitted to the office of the Registrar of Companies) covering the value of all items of movable and immovable property of the company, duly confirmed by an expert of the Ministry of Justice.

(4) A declaration of the transformation of the company, containing the following information, bearing the authorized signatures of company: (a) The name and registration number of the company. (b) The objectives of the company and the type of activities pursued by the company. (c) The address of the principal office of the company and the addresses of its branch offices, if any. (d) The date of expiry of the duration of the company if the company has been formed for a limited period of time. (e) The authorized and paid-up capital. (f) If preferred shares have been issued, an indication of the number of such shares and the privileges attached thereto. (g) The full identity of the chairman, directors and the director of the company. (h) The requirements for attendance and the voting powers of the shareholders at general meetings of the company. (i) The provisions stipulated in the articles of association for distribution of profit and the accumulation for the reserve fund. (j) The debts of the company and the debts of third parties guaranteed by the company. (k) The name of a newspaper with a widespread circulation in which all the notices and statements of the company will be published.

ARTICLE 280. The office of the Registrar of Companies, after having received the documents mentioned in Article 279 and having reviewed and compared the same with the provisions of this Act, will register the transformation of the company and publish a notice at the expense of the company.

ARTICLE 281. The notice of transformation of the company should reflect all the contents of the declaration and, furthermore, indicate that the articles of association, two balance sheets, profit and loss accounts of the two preceding years and an inventory of the moveable and immovable property have been delivered to the office of the Registrar of Companies and are available for the inspection of interested parties. The notice of establishment must be published in another highly circulated paper in addition to the newspaper in which all the notices of the company are published.

ARTICLE 282. A private joint stock company, intending to increase its share capital with a view to transformation into a public joint stock company, should issue the new shares created by such increase of capital for public subscription in conformity with the provisions of Article 173 to 182 and 184 of this Act. The office of the Registrar of Companies, after having received the application and the records regarding the transformation of a private company into a public joint stock company and having reviewed and compared the same with the provisions of this Act, will allow the issue of a prospectus if the company will be able to be transformed into a public company by way of increasing its share capital. In the prospectus, the reference number and date of such permission must be stated.

ARTICLE 283. If the new shares are not offered in the manner provided for in the foregoing article and fully paid up, then the company will not be transformed into a public joint stock company.

ARTICLE 284. Joint stock companies existing on the date this Act was ratified shall be required within three from the effective date of this Act to be transformed into either a private or a public company and to adapt themselves to the rules of this Act; alternatively, to be transformed into one of the types of companies mentioned in the Commercial Code approved in the year 1311 (1932), otherwise they will be dissolved, in which case, they shall be subject to the dissolution proceedings laid down in the Commercial Code approved in the year 1311. So long as joint stock companies existing on the ratification date of this Act have not adapted themselves to the rules of this Act within the grace period of three years, they shall be subject to the rules of the Commercial Code approved in the year 1311, and the provisions laid down in their articles of association. A company has adapted itself to the rules of this Act when the office of the Registrar of Companies has effected the registration and published the case at the expense of the company after having examined the case. Except for the publicity expenses necessary for carrying out the provisions of this article, no other expenses shall be charged to the company unless when the company increases its capital, in which case the company shall be required to pay the expenses related to such

increase of capital.

ARTICLE 285. As an exceptional rule, the alteration of the articles of association of joint stock companies existing on the ratification date of this Act may, for the purpose of adapting themselves with the requirements of this Act, be effected by a resolution passed in this connection by the ordinary general meeting of the company, except in the case of capital which requires the approval of an extraordinary general meeting of the company. The manner of call, convening, quorum and the required majority for passing resolutions at the ordinary and extraordinary general meetings, for the purpose of adapting joint stock companies to the rules of this Act, shall be subject to the provisions laid down in the Commercial Code in the year 1311 governing joint stock companies and the provisions stipulated in the articles of Act, provided that they are valid standing at such date.

ARTICLE 286. In order that joint stock companies existing on the ratification date of this Act might be transformed into private joint stock companies, firstly, their capital must be at least equal to the minimum extent mentioned in this Act otherwise they must increase their capital to such extent and, secondly, they must amend their articles of association to cope with the requirements of this Act and submit the same to the office of the Registrar of Companies.

ARTICLE 287. In order that joint stock companies existing of the ratification date of this Act might be transformed into public joint stock companies, firstly their share capital must be at least equal to the minimum extent mentioned in this Act otherwise they must increase their capital to the extent required for public companies in conformity with the rules of this Act and, secondly, at the time of transformation, at least one year must have been approved by the ordinary general meeting and, thirdly must alter their articles of association.

ARTICLE 288. If joint stock companies existing on the ratification date of this Act intend to increase their capital in order to meet the requirements of this Act, and if the total nominal value of their former shares has not hitherto capital must be preserved in the issue of new shares and such ratio no circumstance shall be less than thirty-five per centum. The provisions of Article 165 shall not be applicable to the cases covered by this article are far as the payment of the previous total share capital is concerned.

ARTICLE 289. If joint stock companies existing on the ratification date of this Act intend to be transformed into public joint stock companies by way of public subscription. If the new shares offered in the manner cited above are not wholly subscribed and the amount required by this Act is not paid, then such company cannot be transformed into a public company.

ARTICLE 290. If joint stock companies existing on the ratification date of this Act intend to be transformed into public joint stock companies and if an increase in share capital is necessary for the achievement of such purpose, they shall be required to submit the following documents to the office of the Registrar of Companies: (1) The articles of association which have been approved either by an ordinary or extraordinary general meeting of the company. (2) The minute of the extraordinary meeting which approved the increase in capital. (3) An inventory of the assets of the company existing of submission of the office of the Registrar of Companies. Such inventory should contain the value of all moveable and immovable assets of the company, confirmed by an expert of the Ministry of Justice. (4) The prospectus for the new shares drafted in conformity with the provisions of Article 174 of this ACT. (5) The latest balance sheet and profit and loss account of the company approved by a general meeting and certified by the official accountant.

ARTICLE 291. The office of the Registrar of Companies, after having received the documents

mentioned in the foregoing Article and having compared the same with the provisions of this Act, will issue permission for the issue of the prospectus for new shares.

ARTICLE 292. All the provisions stipulated in Articles 177 to 181 of this Act shall be applicable mutatis mutandis to the increase of capital and the transformation of the company into a public joint stock company.

ARTICLE 293. If the capital is not increased, then the provisions of Article 182 shall be carried out. In all circumstances, the company shall be required to adapt itself according to the provisions of this Act within the period mentioned in Article 284.

ARTICLE 294. If joint stock companies existing on the ratification date of this Act, whose share capital amounts to the minimum extent mentioned in this Act, intend to be transformed into public joint stock companies, they are required to submit the following documents to the office of the Registrar of Companies: (1) The articles of association approved either by an ordinary or extraordinary general meeting. (2) An inventory of the assets of the company existing at the time of submission of the documents to the office of the registrar of Companies, covering the value of all moveable and immovable property of the company, duly certified by an expert of the Ministry of Justice. (3) The latest balance sheet and profit and loss account of the company, approved by a general meeting and certified by the official accountant. (4) The declaration of the transformation of the company, bearing the authorized signatures of the company and including the following information: (a) The name and registration number of the company. (b) The objectives of the company and the type of activities conducted by it. (c) The address of the principal office of the company and the addresses of the branch offices (if any). (d) The expiry date of the duration of the company, if the company is formed for a limited period of time. (e) The authorized and the paid up capital. (f) If preferred shares have been issued and indication of the number of such shares and the privileges attached thereto. (g) The full identity of the chairman, directors and managing director of the company. (h) The requirements for attendance and the voting power of the shareholders at general meetings of the company. (i) The provisions stipulated in the articles of association for distribution of profit and the accumulation of the reserve fund. (j) The debts of the company and the debts of third parties guaranteed by the company. (k) The name of the newspaper in which all the notice and statements of the company are published.

ARTICLE 295. The office of the Registrar of Companies, after having received the documents mentioned in the foregoing article and having compared the contents of the said documents with the regulation of this Act, shall register the transformation of the company into a joint stock company and publish the case at the expense of the company.

ARTICLE 296. The notice of transformation of a company existing on the ratification date of this Act into a joint stock company shall include all the contents of the declaration and shall, inter alia, indicate that the articles of association of the company, the inventory of assets of moveable and immovable property of the company, the latest balance sheet and profit and loss account are available at the office of the Registrar of Companies and at the principal office of the company for examination by interested parties. The notice of transformation must be published in at least one highly circulated newspaper other than that in which the notices of the company are published.

ARTICLE 297. On occasions when it is required to call either an ordinary or extraordinary general meeting of the company or to submit certain documents or records to the office of the Registrar of Companies for the purpose of the adapting joint stock company to the requirements of this Act or, alternatively, to transform the same to one of the types of companies mentioned in the Commercial Code in the month of Ordibehesht 1311 and the chairman or the directors of the said company fail to call an

ordinary or extraordinary general meeting or to submit the documents to the office of the Registrar of Companies, as the case may be, they shall be liable to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials and, moreover, they shall be held jointly responsible to indemnify all losses incurred by the shareholders and third parties as a result of the dissolution of the company.

ARTICLE 298. Pursuant to Article 297, should a director, before the expiry of the abbreviated period, give a warning at a meeting of the board of directors about the fulfillment of the legal obligations and the other directors ignore such warning, such director who has given such a warning shall be relieved from civil and penal liabilities. The extinction of civil and penal liabilities of a director is dependent upon the fact that, in addition to having given a warning at a meeting of the board of directors with respect to the discharging of legal obligations, he will notify each director by way of serving legal notification on them. If meetings of the board directors are not held, the dispatch of the legal notification will serve as an adequate ground for the extinction of civil and penal liabilities of a director.

ARTICLE 299. The parts of the rules of the Commercial Code approved in the month of Ordibehesht 1311 governing joint stock companies which deal with other types of companies shall remain in full force and effect as far as such companies are concerned.

ARTICLE 300. Government owned companies shall be subject to the specific Acts governing their establishment and the provisions of their articles of association, but they shall be subject to the provisions of this Act where no provision has been stipulated in such Acts and their articles of association. The above Legal Bill, comprising three hundred articles and twenty notes, was ratified on Tuesday, 24th. Esfand, 1347 (15th March, 1969) by the Special Joint Committee of both Houses of Parliament by virtue of the "Act" Governing Provisional Execution of the Bill Amending Certain Parts of the Commercial Code" approved on 19th Azar, 1343. Abdullah Riazi, Speaker of the Lower House of Parliament Jafar Sharif Emami, Speaker of the Senate.