Federal Law No. 8
Issued on 20/3 / 1984
Corresponding to 17 Jumada al-Akher 1404 H.

CONCERNING COMMERCIAL COMPANIES

Amended by:

Federal Decree - Law no. 01/1984 dated 26/06/1984, and
Federal Law no. 13/1988 dated 26/12/1988, and
Federal Law no. 04/1990 dated 22/12/1990, and
Federal Law no. 46/1992 dated 07/11/1992, and
Federal Law no. 15/1998 dated 25/10/1998, and
Federal Law no. 25/2001 dated 04/11/2001, and
Federal Law no. 14/2006 dated 03/06/2006, and
Federal Law no. 18/2006 dated 11/06/2006, and
Federal Law no. 01/2009 dated 05/07/2009.

We, Zayed Bin Sultan Al Nahyan, President of the United Arab Emirates State,

Pursuant to the perusal of the provisional Constitution; and

Federal Law no. 1 of 1972 regarding the Jurisdiction of the Ministries and the Powers of the Ministers, and its amending laws; and

Acting upon the submission made by the Ministry of Economy and Commerce, the proposal of the Cabinet and the Federal National Council and the ratification of the Federal Supreme Council,

Have promulgated the following Law:

TITLE ONE

GENERAL PROVISIONS

Article 1

As amended by Federal Law no. 13 dated 26/12/1988:

In applying this Law, each of the following expressions and words shall have the meaning assigned thereto opposite to each:

State: United Arab Emirates State.

Ministry: The Ministry of Economy and Commerce.

Minister: The Minister of Economy and Commerce.

Competent Authority: Local competent Authority in the relevant Emirate.

Agent: Physical person holding the State nationality on the private juristic person incorporated within the State totally owned by physical national persons.

Article 2

As amended by Federal Law no. 15 dated 25/10/1998:

1 - The provisions of this Law shall apply to commercial companies constituted in the State or establishing in it the center of its activities. All companies formed in the State must have its domicile therein.
2 - The provisions of this Law do not apply to companies, formed in the State free zone, as concerns matters regulated by a special provision in the concerned free zone Statutes, with the exception of acquisition of the State nationality.

3 - Excluding the acquisition of the State nationality, the provisions of this Law do not apply to petroleum companies working in the field of prospection, extraction, marketing and transport; companies producing electricity, gas, water desalination and related activities such as transport, distribution, etc.; as well as companies excepted by decision taken in Cabinet. All these exceptions concern matters which are specified in a special provision in their constitutive contracts and main Statutes.

**Article 3**

Each company constituted in the State shall hold its nationality but it shall not necessarily be entitled to the rights reserved only to citizens.

**Article 4**

A company is a contract under which two or more persons are committed to participate in profit-making economic venture either by providing cash or work contributions and to divide between them profit or loss arising from such venture.

For the purposes of the preceding paragraph, an economic venture shall include each and every commercial, finance, industrial, agricultural, real estate or other economic activities.

**Article 5**

A company established in the U. A. E shall adopt either one of the following types:

1 - Joint liability.

2 - Sleeping partnership.

3 - Joint Venture.

4 - Public Joint - stock.

5 - Private Joint - stock.

6 - Limited Liability companies.

7 - Partnership Limited by shares.

**Article 6**

As amended by Federal Law no. 13 dated 26/12/1988:

A Company that does not take any of the types referred to in the preceding Article shall be null and void, and the individuals who enter into a contract in its name shall be personally and jointly answerable for the liabilities arising from such contract. Provisions of this Law shall apply to all companies even if under different names as long as their activities are subject to the provisions herein.

**Article 7**

A company in which the State or any other public body hold any share in its capital, irrespective of its amount, shall restrictively take the form of a public joint-stock company.

Should the State or the public body acquire a share in an existing company, such company shall be converted into a public joint-stock company.

**Article 8**

Except for joint ventures, company Memorandum of Association and any amendment thereto written in the Arabic language and duly registered with the competent official body failing which the contract or its amendment shall be void.

Partners may invoke invalidity arising from failure to provide the Memorandum in writing or to certify the same in the presence of each other, but may not be used as evidence against third parties who may protest against the partners on the basis of such invalidity.
Article 9

If, at the request of a third party a judgment is awarded whereunder the company is invalidated, the company shall then be invalid only in so far as such third party is concerned, and the persons who entered into agreement with him in the name of the company shall be personally and jointly liable for the commitments arising from such agreement. However if the judgment concerning the invalidity is awarded at the request of a partner, the invalidity effect shall commence only from the time such award is decreed.

In all cases, procedures concerning the liquidation of a company declared invalid and settlement of its partner’s entitlements, as between themselves, shall be done in conformity with the conditions of the contract.

Article 10

As amended by Federal Law no. 13 dated 26/12/1988:

In case of difference between partners, testimony is not accepted as evidence to prove what is contrary or beyond the scope of the Memorandum of Association.

Article 11

As amended by Federal Law no. 13 dated 26/12/1988:

To the exception of joint-ventures, the Memorandums of Association as well as amendments thereto, shall be publicized by registration in the Commercial Register. Registration formalities shall be specified by a ministerial decision to be issued after consultation with the concerned Authorities in the Emirates.

A Memorandum not registered as aforementioned shall be deemed unenforceable with regard to third parties. Where failure of registration concerns one or more particular(s) that should be publicized, these particulars shall be unenforceable towards third parties.

The company’s managers or members of its Board of Directors shall be jointly liable to indemnify the damages incurred by the company, the partners and third parties due to non-registration.

Article 12

As amended by Federal Law no. 13 dated 26/12/1988:

To the exception of joint ventures, a company shall not have a juristic personality and may not start its operations unless after its registration in the Commercial Register.

The official instrument issued shall be published in the Ministry’s special bulletin. Persons, who before the completion of registration formalities carry out business or acts for the account of the company, shall be jointly liable on account thereof.

However, a company under establishment shall have a juristic personality to the extent required for finalizing its establishment procedures.

Article 13

A company’s objective must be lawful with due consideration given to standardization and specialization in its main objectives.

Article 14

A partner’s share may be a specified amount of money (cash share) or may be made in kind (contribution in kind). In cases other than those derived from the provisions hereof, such share may be a contribution of work, but in no case may the share of a partner be the reputation and the authority which such partner enjoys.

The company’s capital shall comprise only cash shares and contribution in kind.

Article 15
Where a partner's share comprises a property title or any other real right, the partner concerned shall, in accordance with the rules applicable to sale agreements, be liable to the guarantee of such a share in case of deterioration or maturity or in the event of an apparent defect or shortage therein.

Should a share merely comprise usufruct of funds the rules in respect of lease contracts shall apply to matters referred to in the preceding paragraph.

If a partner's share includes rights with third parties, such partner's liability towards the company shall be discharged only upon recovery of these rights.

Unless otherwise agreed, if a partner's share consists in work, then the profits arising from such work shall be the company's right unless such profits are obtained from patented right.

**Article 16**

Each partner shall be considered indebted to the company for the share undertaken by himself and unless settled on due dates, he shall be liable, towards the company, to make good the damages resulting from such delay.

**Article 17**

No personal creditor of a partner shall be allowed to satisfy his right from his debtor's share in the company's capital. However, he may recover his right from dividends accrued to his debtor. If the company is dissolved, the creditor's entitlement shall evolve from the surplus balance of the company's assets after liquidation.

If a partner's share consists of stocks, his personal creditor, in addition to the entitlements referred to in the preceding paragraph, may request the sale of these stocks to satisfy his rights out of the sale proceeds.

**Article 18**

If it is agreed in the Memorandum of Association to deprive a partner form profits or relieve him from loss, such Memorandum shall be invalid.

It may be agreed, however, that partners contributing only with their work, shall be exempted from participation in the loss.

**Article 19**

Where a partner's share in profit or loss in not specified in the Memorandum of Association, his share thereof shall be on prorata basis to his share in the capital.

Where a Memorandum determines the partner’s share in profits only, his share in loss shall be equal to his share in profits. The same ruling shall also apply if only the partner’s share in loss was determined in the Memorandum.

Where a partner's share is restricted to his work, his share in profit or in loss shall be specified in the Memorandum of Association. If, in addition to his work, a partner's contribution is made in cash or in kind, he shall be entitled to a share in the profit or in the loss in consideration of his work, and to another share against his cash share or his contribution in kind.

**Article 20**

It is not permissible to distribute simulated dividends to the partners by means of over-estimation of the company's assets. If such dividends are distributed among partners, the company's creditors may claim from every partner reimbursement of the amounts he so received even in good faith.

Partners shall not be liable to reimburse actual dividends received even if the company incurs losses during the following years.

**Article 21**

All contracts, correspondences, discharge receipts and announcements issued by a company shall show the name, kind, head office and serial number in the Commercial Register of such company. In addition to the above requirements, in case of joint stock, companies partnerships limited
by shares and limited liability companies, the company's authorized capital and the paid-up amount thereof shall be indicated.

Where a company is under liquidation, the same shall show on papers issued thereby.

**Article 22**

Without prejudice to commercial activities reserved only to nationals, as may be prescribed herein or in any other law, it is a requirement for the establishment of a company to have one or more national partner(s) whose share in the company's capital is not less than 51%.

**TITLE TWO**

**JOINT LIABILITY COMPANY**

**Article 23**

A joint liability company is a company formed of two or more partners jointly liable for the company's obligations to the full extent of all their assets.

**Article 24**

The firm-name of joint liability company shall be composed of the names of all the partners or of the name of one or more partners together with what may show the existence of company. In addition to the foregoing, it may have a special trade name of its own.

Where a name of an individual, who is not a partner therein, is knowingly embodied in the name of the company, such person shall be jointly liable for the company's obligations.

**Article 25**

All partners in a joint liability company must be State nationals.

**Article 26**

The Memorandum of Association of a joint liability company shall contain the following:

a - Name, family name and surname, if any, of each partner and his nationality, date of birth and place of residence.

b - Name and object of the company.

c - The company's registered office and the branches thereof.

d - The capital and shares undertaken by each partner whether cash or in kind, the estimated value of these shares, contribution method and due dates.

e - Date of establishment, and expiry, if any.

f - Management of the company and names of authorized signatories and the extent of their respective powers.

g - Commencement, and expiry dates of the company's financial year.

h - Rate of distribution of the profits and losses.

**Article 27**

A partner in a joint liability company shall be deemed a merchant, and the company's bankruptcy shall lead to the bankruptcy of all partners.

**Article 28**

Shares may not be made in the form of negotiable instruments.

**Article 29**
In a joint liability company, shares may not be assigned except by approval of all the partners or by observing the terms and conditions of the Memorandum of Association.

Any agreement whereby non-conditional assignment of the shares is allowed shall be invalid. A partner may, however, agree to assign to others the entitlements related to its share, but such agreement shall have no effect except between the parties thereto.

Article 30

All partners shall be jointly liable for the company's obligations to the full extent of all their assets. Any agreement to the contrary may not be invoked against third parties.

Article 31

No execution may be enforced on a partner's assets against the company's commitments unless an execution-deed against the company is obtained, and the company is notified for payment.

The execution deed shall be conclusive evidence against the partner.

Article 32

Unless obtaining the other partners' approval, a partner shall not be permitted to conduct any of the company's activities neither for his own account nor for any third party's account nor to become partner in another joint liability company or to be a joint or silent partner in a commandite or a limited liability company if any of the said companies carries out competitive activities with those of the company.

Article 33

A partner who joins a joint liability company shall together with the other partners, be jointly liable to the extent of all his assets for the company's obligation preceding and subsequent to his joining the company. Any agreement to the contrary between the partners may not be used against third parties.

Article 34

A partner who withdraws from the company shall not be liable of the commitments taken by the company subsequent to his withdrawal.

Article 35

A partner who assigns his share in the company, shall not be released from the company obligations towards it creditors unless the latter approve such assignment, in accordance with the procedures applied with regard to assignment of debts.

Article 36

Unless otherwise agreed, a partner who is not a Manager may not interfere in the company's management affairs. However, such partner may demand to be granted access to the company's operations, inspect its books and documents and give advice and orientation to its manager.

Article 37

Joint liability companies shall adopt resolutions by unanimous vote of the partners, unless the Memorandum of Association provides for a majority vote and in this case "majority" shall mean numerical majority, except where the Memorandum provides otherwise.

Resolutions pertaining to the amendment of the Memorandum of Association shall be valid only in taken by the partners' unanimous votes.

Article 38

Management of the company shall be carried out by all the partners unless such management, by virtue of the Memorandum of Association or an independent contract, be vested in one or more partners or in a manager who is not a partner.

Article 39
Should the company be directed by more than one manager, each having a specific jurisdiction, each of them shall be liable only for the functions under his jurisdiction.

In case there is more than one manager and it is provided that they are jointly responsible for the management, their resolutions shall be valid only if reached by unanimity or by the majority of votes stipulated in the Memorandum. However, each manager may individually carry out urgent matters if omission thereof may incur substantial losses to the company or may cause loss of sizeable profit thereto.

Should there be more than one manager the Memorandum does neither define the powers of each manager or provide that they should act jointly, any one of them may carry out any of the management businesses, provided that the other managers shall have the right to object to any such action before it is finalized. In this case, the majority votes of the managers shall count, and in the event of a tie, the matter shall be referred to the partners.

Article 40

A manager who is a partner, and is appointed in the Memorandum of Association, may not be removed except by the partners' unanimous vote. Unless otherwise stipulated in the Memorandum, such removal shall necessarily entail the dissolution of the partnership.

A manager who is a partner and who is appointed under a contract independent of the Memorandum, or he who is not a partner but has been appointed either by virtue of the Memorandum of Association or a separate contract, may be dismissed by a majority of the partners' votes but his dismissal shall not entail the dissolution of the company.

Article 41

A managing partner, appointed in the Memorandum of Association, shall not resign from office without acceptable reasons; otherwise he shall be liable to indemnity. Unless it is otherwise stipulated in the Memorandum of Association, the resignation of such a partner shall cause the company's dissolution.

A managing partner, appointed under a separate contract, or one who is not a partner but appointed under the Memorandum of Association, or by virtue of a separate contract, may freely resign office, provided that he chooses convenient time for such resignation and shall, reasonably in advance, notify the partners thereof; otherwise he shall be liable to indemnity. Such resignation shall not cause the company's dissolution.

Article 42

The manager shall perform all acts consistent with the object of the company, unless the company's Memorandum provides for the limitation of his powers.

Article 43

Except with the partners' approval or as per an express provision in the Memorandum, it is not permissible for a manager to exceed normal management powers. The above restriction shall namely apply to the following acts:

a - Gratuitous contributions, except for casual minor ones.

b - Sale of the company's real properties, unless the same be part of the company's objectives.

c - Mortgages of the company's real properties, even if the manager is authorized to sell such properties.

d - Sale or pledge of the company's trading premises.

Article 44

The manager shall not be allowed to enter into agreement with the company for his own account unless the partners' approval had been obtained in each case independently.

Furthermore, the manager may not practice any activities similar to those of the company, unless with the partners' permission which shall be renewed each year.
Article 45

A manager shall be held responsible for damages sustained by the company, the partners or third parties as a result of breach of the Memorandum of Association or default in the performance of his functions. Any provision to the contrary shall be null and void.

Article 46

Profit and loss and the share of each partner therein shall be determined at the end of the company's fiscal year calculated on the basis of the balance sheet and the profit-and-loss account.

A partner shall be deemed a creditor to the partnership for the amount of his share in the profits upon the determination of such share and shall, unless otherwise agreed, cover, from profits of the following years, any deficit in the capital generated by the loss. Except as above stated, it is not permitted to commit a partner, except by his own consent, to complement the deficit of his share in the company's capital, if caused by losses.

Article 47

A sleeping partnership is a partnership composed of one or more jointly-associated partners liable for the company's obligations to the extent of all their assets together with one or more sleeping partner(s) liable for the company's obligations only to the extent of their respective participation in the capital.

Article 48

All joint partners in a sleeping partnership must be U.A.E nationals.

The firm-name of a sleeping partnership shall be composed of the names of the joint partners in addition to an indication showing the existence of the company. Moreover, a special trade-name may be added to the foregoing.

A sleeping partner's name may not be incorporated in the name of the company. If knowingly incorporated, such sleeping partner shall, with regard to bona fide third parties, be deemed a joint partner.

Article 50

Subject to the rules hereinafter stated, a sleeping partnership shall be deemed a joint liability company with regard to joint partners, and the rules governing joint liability companies shall equally apply to commandite.

Article 51

In addition to the information stated in Article 26, the contract of a sleeping partnership shall contain a partner's name, surname, nationality, place of birth and place of residence, as well as his participation in the capital and the amount paid thereof.

Article 52

A silent partner is not liable towards the auditors of the company except to the extent of his participation to the capital.

Article 53

Notwithstanding an authorization thereto, a silent partner may not interfere in the management's affairs when such affairs are related to third parties. However, within the limits prescribed in the Memorandum of Association, a silent partner may participate in the internal administration affairs and provided that no damage be sustained by the company, he may, furthermore, ask for copies of the profit-and-loss account and the balance-sheet, to verify the accuracy of their contents by inspecting the company's books, either personally or through a representative, who may, or may not, be a partner.
Article 54

A silent partner who violates the restrictions provided for in the preceding Article shall be liable in all his assets for obligations arising from actions carried out by him.

A silent partner may also be held liable, in all his assets, towards all commitments of the company if management acts carried out by him would invite others to believe beyond doubt that he is a partner. In such a case the provisions concerning the joint partners shall apply to that silent partner.

Should a silent partner, whether under implied or expressed proxy from the joint partners, carry out the managerial prohibited acts, the said partners shall be jointly liable with him for the obligations arising from such acts.

Article 55

Resolutions of a sleeping partnership shall be adopted by the unanimous votes of joint and silent partners, unless the Memorandum of Association provides that a majority vote would suffice. Unless otherwise stipulated in the Memorandum of Association, consideration shall be given to the majority in numbers.

Resolutions pertaining to the amendment of the Memorandum of Association shall be valid only if endorsed unanimously by both the joint and the silent partners.

TITLE FOUR

JOINT-VENTURES

Article 56

A joint venture is an association between two or more partners to share profits or losses of a commercial business or businesses carried out in the private name of one of the partners.

The association shall be restricted to the relationship between the partners but shall not operate in respect of others. Evidence of the association may be substantiated by all means of proof.

Article 57

A joint venture agreement shall regulate the rights and obligations of the partners and the manner of distribution of profits and losses. This agreement is neither subject to the requirement of entry in the commercial Registry nor to publicity.

Article 58

A partner in a joint venture shall not be considered a merchant unless he carries out personally commercial transaction.

Article 59

Unless otherwise agreed, each partner in a joint Venture shall maintain title to his subscribed contribution.

Article 60

Joint ventures are not allowed to issue bonds or negotiable instruments.

Article 61

Third Parties shall have the right of recourse only against the partner with whom they have dealt. In the event of any manifestation by the partners indicating to third parties the existence of an association, then the Joint Venture may be considered an actual company, and the partners shall be jointly liable towards third parties.

Article 62

Each partner may demand access to the joint-venture books and documents either by himself or through a proxy from among the partners or others, provided that perusal by such proxy does not cause any damage to the company. Any agreement to the contrary shall be null and void.
Article 63

Provisions of Article 37 of this Law shall apply to joint ventures.

TITLE FIVE

PUBLIC JOINT - STOCK COMPANIES

CHAPTER ONE

CHARACTERISTICS OF PUBLIC JOINT - STOCK COMPANIES

Article 64

Any company whose capital is divided into negotiable shares of equal value shall be considered a public joint - stock company and a partner therein shall be liable only to the extent of his share in the capital.

Article 65

A public joint - stock company shall have a name taken from its object and it may not be the name of a physical person unless the object of the company is the exploitation of a patent registered in the name of the said person, or it has, upon its formation or thereafter, acquired a commercial concern and has adopted its name to be its own name.

In all cases, the term “Public Joint Stock Company” should be appended to the name of the company. It is not permissible, however, for a public joint - stock to adopt the name of another company or a name similar thereto, otherwise the other company may ask the competent administrative or judicial body to compel the company which has used its name to change it.

Article 66

A company may change its name by a resolution adopted by the Extra - Ordinary General Meeting. Rights, obligations or legal proceedings instituted by, or against, the company shall not be affected as a result of the change of its name. The new name shall be noted in the Commercial Register in accordance with the provisions of the law.

Article 67

The company's capital must be adequate to achieve the objectives of its foundation, and in all cases may not be less than ten million Dirhams.

Article 68

Both the Memorandum and Articles of Association must comply with the specimen provided by ministerial decision to be issued. Any inconsistency therewith must be approved by the Minister.

Article 69

The Memorandum and Articles of Association of the company shall specify its duration. Should the company's objectives so require, the said duration may be extended or reduced, by resolution of the Extra - Ordinary General Assembly.

CHAPTER TWO

FOUNDATION OF PUBLIC JOINT - STOCK COMPANIES

Article 70

Shall be deemed a founder whoever signs the company's preliminary agreement and Articles of Association with the intent to assume the liability arising therefrom. Constitution of the company may be licensed only if the number of founders is at least ten persons.

However, the Federal Government or the Governments of the respective member - Emirates may alone establish a company, as it may associate in the subscription to the capital a number of subscribers less than that provided in the preceding paragraph.

Article 71
The founders shall choose from among them a committee composed of a minimum of three and a maximum of five members to undertake the foundation formalities with the concerned authorities.

**Article 72**

During the period of establishment, the company shall have a juridical personality and to the extent required for its foundation. During the said period the company shall be bound by the action taken by the founders, provided the company's establishment is completed according to the law.

**Article 73**

The Memorandum and Articles of Association shall be drawn up between the founders in accordance with the specimen to be issued by ministerial decision which shall include the following information:

1. Name of the company and its registered office.
2. Company's duration.
3. Object of its constitution.
4. Founders' names, their places of residence, profession and nationalities.
5. Capital, number of the capital shares and value and kind of each share.
6. Particulars of each non-cash share, name of its subscriber and the conditions pertaining thereto, along with the pledges and privileges on such a share.
7. An approximate estimate of the company's expenses, wages and charges to which the company is committed for its foundation.
8. An undertaking on the part of the founders to seek the completion of the foundation formalities.

**Article 74**

As amended by Federal Law no. 13 dated 26/12/1988:

The application for the foundation of a company shall be submitted to the competent authority on the form prepared for this purpose to which shall be appended its Articles of Incorporation and Memorandum of Association as well as the projects' feasibility study and of the time schedule proposed for its execution. The application shall be entered in the special Register kept for this purpose with the competent Authority.

A committee shall be formed, by decision of the competent Authority, composed of representatives of each Ministry and the competent Authority in order to examine the application and the feasibility study of the project to be executed by it. The Committee may require the applicant to supplement any necessary documents or particulars, or Memorandum of Association so that they would comply with the provisions of this Law and its implementing regulations.

The Committee shall prepare a report of the findings within two weeks from the date of the application or of completing the documents required by this Law or its implementing regulations, as the case may be.

**Article 75**

As amended by Federal Law no. 13 dated 26/12/1988:

The competent Authority shall issue its decision concerning the application for a company's establishment in the light of the findings contained in the report of the committee referred to in the previous Article, within a maximum period of sixty days from the date of submitting the application or of completing the documents required by the committee, as the case may be. Non-issuance of the decision within such period shall be deemed a rejection.

Should the application be rejected, or the said period lapse, the founders may challenge the rejection before the competent Civil Court within sixty days as of the date they are notified of the rejection, or the lapse of the period referred to in the previous paragraph, as the case may be.
Article 76

As amended by Federal Law no. 13 dated 26/12/1988:

If the application for a company’s establishment is approved, the competent Authority shall issue a decision licensing the company’s foundation, which decision shall be published in the Official Gazette of the State at the founders’ expense and notified to the Ministry.

Founders shall commence the subscription in the company’s shares according to the procedures provided for in this Law and its implementing regulations within fifteen days from the date of issue of the aforementioned decision.

Article 77

Invitations for public subscription shall be announced in two local Arabic dailies at least five days before the commencement of subscription. In addition to a summary of the Memorandum and Articles of Association, the announcement shall contain the following details:

1 - Payment, by the founders, for the required percentage of the value of their shares.

2 - The maximum number of shares open for subscription.

3 - The number of shares required to acquire membership in the Board of Directors.

4 - Date, place, and conditions of subscription.

5 - Percentage of shares owned by nationals and terms of disposal thereof.

6 - Any other matters affecting the rights or obligations of the shareholders.

Founders shall sign the subscription announcement and shall be jointly liable for the credibility of the contents thereof.

Article 78

As amended by Federal Law no. 13 dated 26/12/1988:

The founders shall subscribe to a minimum of 20% and a maximum of 45% of the company’s capital, and shall, prior to the publication of the subscription announcement, pay upon subscription the amount equal to the percentage required to be paid by the founders for each share. Prior to the invitation for public subscription, the founders have to provide the Ministry and the competent Authority with a certificate from the bank where payment was made evidencing that they have paid the percentage referred to.

Article 79

As amended by Federal Law no. 13 dated 26/12/1988:

Subscription may be made with one or more bank(s) designated by the founders from among those banks operating within the State. Payments due upon subscription shall be deposited with such bank(s).

Article 80

Subscription to the shares shall be made by an application containing in particular the name, objectives and capital of the company, subscription conditions, name and address of each subscriber and his address in the State, profession and nationality and the number of shares he intends to hold and an undertaking on his part expressing his approval of the provisions contained in the company’s Memorandum and Articles of Association.

Subscription shall be made forthwith and without condition. Any condition put by the subscriber in the subscription application shall be considered non-existent.

Each subscriber shall receive a printed copy of the company’s Memorandum and Articles of Association against a fee fixed in the Articles of Association.

Article 80 bis
Added by Federal Law no. 14 dated 3/6/2006:

The Ministry of Finance is entitled to subscribe to the share of any public joint stock company established in the State and offering its shares to public subscription, up to maximum limit of 5% of the shares offered for subscription. This percentage in full shall be allotted prior to the allotment of the other subscribers shares.

Article 81

Subject to the provisions of Article 67 above, initial payment of the value of each cash share upon subscription shall not be less than 25% of its registered value. Unless otherwise stipulated in the Memorandum of Association, payment of the balance shall be made within a period not exceeding five years from date of foundation.

The paid up portion of the share value shall be mentioned on the share.

Article 82

As amended by Federal Law no. 13 dated 26/12/1988:

Subscription shall remain open for a minimum period of ten days and maximum of ninety days during which all shares, founders' shares excepted, shall be offered for public subscription. The foundation of company shall be completed only after all its shares are subscribed to.

In the event of incomplete subscription during the said period, the founders may, by decision of the competent Authority, extend the subscription period for a maximum period of thirty days provided that the Ministry be duly notified of the competent Authority's decision in this respect.

Article 83

As amended by Federal Law no. 13 dated 26/12/1988:

Should the period referred to in the preceding Article lapse before all shares offered for subscription are covered, the founders shall either relinquish the foundation of the company altogether or decrease its capital provided the Minister's approval of the decrease is secured. Approval of capital reduction shall be by a decision from the Minister approved by the competent Authority. As an exception to the provisions of Article 78, the founders may, by approval of the Minister and the competent Authority, subscribe to the unsubscribed shares.

Article 84

If the establishment of the company is relinquished, founders shall be jointly liable for the reimbursement to the subscribers of the paid-up value of the shares.

In the event of decrease of the capital, the subscribers are entitled to withdraw from their subscription within a period of not less than the period of initial subscription, otherwise their subscription shall be final.

In such a case, the founders may offer the relinquished shares for a new public subscription.

Article 85

As amended by Federal Law no. 13 dated 26/12/1988:

Should subscription exceed the number of shares offered, the shares shall be allocated among the subscribers prorata to their subscriptions. Allocation shall be to the nearest complete share and provided that no shareholder is deprived from participating in the company irrespective of the number of shares subscribed thereto.

The Minister may, upon a proposal by the founders and approval by the competent Authority, decide to initially distribute a number of shares not exceeding ten thousand Dirhams in value, among all subscribers, thereafter distribution shall take place in the manner referred to in the previous paragraph.

Article 86

Amounts received from the shareholders shall be deposited with a bank to the account of the company under establishment. Such amounts may
be transferred only to the Board of Directors following entry of the company in the Commercial Register.

**Article 87**

Subscription may be made by contributions in kind.

In this case, such contributions shall be evaluated by a committee set up by order of the Minister, under the chairmanship of a judge named by the Minister of Justice or the Head of the Department of Justice or him whoever acts on his behalf in the concerned Emirate, as the case may be, and member of the Board of Directors of the concerned Chamber of Commerce and Industry to be nominated by its Chairman, a member of the Municipal Council or the Department of Municipality named by the Mayor in the concerned Emirate and a member from among the specialized experts.

A contribution in kind made by a public body may be a concession or a franchise to utilize certain public funds. The committee shall submit its report within thirty days from the effective date of its mandate. The Minister may, upon a justified request from the Committee, extend the above period.

A copy of the Committee report shall be forwarded to the founders who shall deposit an adequate copy thereof at the company’s seat and announcement to that effect shall be published in two local Arabic dailies, at least fifteen days before the meeting of the constitutive General Assembly. Anyone concerned shall have the right of access to the report.

However if the Committee’s assessment was lower than that of the founders’, the contribution in kind shall be requested either to cover the difference in cash or by another contribution in kind, equal to the amount of such difference, approved by the other founders. Credibility as to the accuracy of its assessment shall be in the manner herebefore mentioned. The person who submits a contribution in kind may, however, withdraw the same entirely and pay its estimated amount in cash as assessed by the founders.

The Committee’s assessment shall be submitted to the constitutive General Assembly for approval, rejection or reduction. Should the Assembly decide to reduce the assessment, the contribution may either withdraw it from the capital or pay the difference in cash money.

In case the Assembly resolves to reject the contribution in kind, or if it is withdrawn by the owner, subscription thereto may be made in cash according to the terms and conditions concerning cash subscription, or reduce the capital to the extent of the difference in value, provided that the capital is not reduced below the limit fixed in this Law and on condition that the Minister approves the reduction.

Resolutions concerning the assessment of a contribution in kind shall be adopted by the numerical majority of subscribers shares paid in cash, provided that such majority should possess a minimum of two-thirds of the said shares. Contribution in kind, even if they hold shares in cash, shall have no right of vote.

If the contribution in kind is made by all the subscribers, their assessment thereof shall be final, provided it does not exceed the value estimated in accordance with the Committee report.

Contributions in kind shall represent only fully paid shares.

**Article 88**

As amended by Federal Law no. 13 dated 26/12/1988:

Founders shall, within thirty days from date of closure of subscription, convene the subscribers to a constituent General Meeting, and copies of the convocation shall be sent to the Ministry and to the competent Authority.

If the founders fail to address such convocation before the lapse of the period referred to in the preceding paragraph, the Ministry shall do so. The General Meeting shall be validly held if attended by the owners of three quarters of the total number of subscribed shares either in person or by proxy. The Meeting shall be chaired by a founder elected for the purpose by the General Meeting.

If the above quorum is not reached, a second Meeting shall be convened within thirty days from the date of the first Meeting and this
second Meeting shall be validly held if attended by presence of one half of the shareholders, or their proxies. In the event such a quorum is not reached the attending shareholders, or any one of them, may either claim the dissolution of the company or call for a third Meeting to be held within fifteen days from the date of second Meeting. This third Meeting shall be validly held regardless of the number of subscribers represented therein. Resolutions of the Constituent General Meeting shall be adopted by absolute majority of the shares represented therein. Each of the Ministry and the competent Authority may send one or more representative to attend the meeting as observers without having a voting right, and their attendance shall be recorded in the minutes of the General Meeting.

Article 89

The Constituent General Meeting shall discuss the following matters in particular:

1 - Incorporators report on the constitution of the company and the costs it entailed.

2 - Election of the first Board of Directors and appointment of auditors.

3 - Approval of the assessment of the value of the contributions in kind.

4 - Advertising the final constitution of the company.

Article 90

Within seven days from the date of the Constituent General Meeting, the incorporators shall request the Minister to declare the constitution of the company. The following documents shall be appended to the submitted application:

1 - An acknowledgment substantiating full capital subscription, the portion of the shares value paid by the subscribers and a list of their names, and the number of shares subscribed to by each.

2 - Minutes of the constituent General Meeting.

3 - Articles of Association as approved by the same Meeting.

4 - Assembly resolutions concerning approval of the founders' report, assessment of the contributions in kind and election of the first Board of Directors.

5 - Supporting documents with regard to the validity of the incorporation procedures.

Article 91

The Minister shall, within thirty days from date of submission of the application, issue a decree declaring the constitution of the company to be published, at the company's expense, in the Official Gazette together with the Memorandum and Articles of Association.

Article 92

Within fifteen days from the date of publication of the company's constitution, the Board of Directors must fulfill the publication procedures and its registration in the Commercial Register.

Article 93

In case the constitution of the company is not accomplished, a notice to this effect shall be addressed by the Ministry to the public. Subscribers shall have the right to recover the amounts paid by them as of the date of such notice and the banks where subscription took place shall reimburse to the subscribers these amounts. The incorporators shall be jointly liable to reimburse these amounts in addition to the damages, if any, as well as the expenses incurred for the constitution of the company. They are also jointly liable to third parties for all their acts and behaviors during the period of establishment.

Article 94

Upon publicizing the company in the Commercial Register, the results of all acts carried out by the incorporators for the account of the company prior to such publicity shall be transferred to it and all expenses incurred by the incorporators to this effect shall be borne by the company.

CHAPTER THREE
MANAGEMENT OF THE COMPANY

SECTION ONE

THE BOARD OF DIRECTORS

Article 95

The management of the company shall be vested in a Board of Directors. The Articles of Association shall determine its formation, the number of the Directors and their term of office, provided that their number is not less than three, and not more than twelve and their term of office does not exceed three years. A Director may be elected for more than one term.

Article 96

The Ordinary General Meeting shall elect by secret ballot the members of the Board of Directors. As an exception, the incorporators may appoint between them the first Board of Directors for a maximum period of three years.

Article 97

As amended by Federal Law no. 13 dated 26/12/1988:

A director must not have been convicted in a crime relating to honor and integrity unless he has been reinstated or granted amnesty by the concerned authorities.

Article 98

No director, either in his personal capacity or as a representative of a juristic person, shall be a director in more than five joint-stock companies having their head offices within the State.

Nor shall he be a chairman or a vice-chairman of more than two companies having their Head offices within the State, nor managing director of more than one company located in the State. Membership of the Director who violates this provision shall be annulled in respect of the Board of Directors of the companies in excess of the legal limitation taking into consideration the most recent appointment. A director whose office is invalidated shall reimburse all amounts received from the concerned company.

Article 99

The Board of Directors shall elect, from among its members, chairman, and a vice-chairman who will act for the chairman in the latter's absence. The chairman must be a UAE national.

Article 100

The majority of the directors must be UAE nationals. Should the said ratio of UAE nationals on the Board of Directors be lower than that provided for in implementation of this Article, it should be completed within three months, at most, otherwise the Board resolutions adopted after the lapse of the said period shall be null and void.

Article 101

As amended by Federal Law no. 13 dated 26/12/1988:

Before 1st January of each year, each company shall provide both the Ministry and the competent Authority with a detailed list, approved by the Chairman, of the names, offices and nationalities of the chairman and members of the Board of Directors.

The Ministry and the competent Authority must be notified by the company of any change in that list instantly upon its occurrence.

Article 102

In event of a vacancy on the Board of Directors, the Board has to appoint a director to fill the vacancy provided that the General Assembly be instantly notified of such appointment during its first meeting for approval, or election of a replacement, unless otherwise provided for in the company's Articles of Association. The newly elected director shall complete the term of his predecessor.
In the event vacancies amount to one fourth of the number of directors, the General Assembly shall be convened within a maximum period of three months from the date of the last vacant office in order to fill the vacancies.

**Article 103**

The Board of Directors shall assume all the powers necessary to carry out the businesses required in satisfaction of the company's objectives, save such powers as may be vested by the law or the company's Articles of Association, in the General Assembly. However, the Board of Directors is not allowed to enter into loan agreements which terms exceed three years, to dispose of the company's real property or place of business, to mortgage the same, release company debtors from their commitments, enter into settlement or arbitration agreements unless the same are expressly granted by the company's Articles of Association or embodied by nature in the company's objectives. In other than these instances, the performance of such acts must be sanctioned by the approval of the General Assembly.

**Article 104**

The Chairman of the Board is the President of the company who represents it before the courts. The Chairman's signature shall be deemed to be the Board's signature in so far as the company's relationship with third parties is concerned. He shall enforce the Board resolutions and comply with its recommendations. The Chairman may, in some of his authorities, delegate powers to others.

**Article 105**

Board meetings shall be valid only if attended by the majority of directors. Resolutions shall be adopted by majority of votes of those present or represented. In case of a tie, the Chairman shall have a casting vote.

A director may delegate another director to vote on his behalf during his absence, provided that a director is not allowed to hold more than one proxy.

Voting by mail is not permitted.

**Article 106**

A member of the Board of Directors shall be deemed as resigning should he absent himself, without an excuse accepted by the Board, for three consecutive meetings.

**Article 107**

Minutes of the Board meetings shall be entered in a special register. The Directors attending the meetings as well as the Board reporter shall sign the minutes. Any dissenting director may enter his objection in the minutes of the meeting.

**Article 108**

Unless prior approval, renewable annually, be obtained from the General Assembly, neither the Chairman nor any other director shall be allowed to participate in any business competing with the company’s business or to carry out trade activities for their own account or for the account of others in any branch of activities carried out by the company. The company may otherwise claim indemnity therefrom or consider the business carried out by them for their account as if carried for its own account.

**Article 109**

A director who has an interest conflicting with the company's interests in a transaction, submitted to the Board of Directors for approval, shall notify the Board of the same and enter his acknowledgment in the minutes of the meeting. Such director shall have no right of vote in respect of this transaction.

**Article 110**

The company shall be bound by the actions taken by the Board of Directors within its competence. The company shall as well answer for damages caused by illicit actions taken by the Directors in the course of the management of the company.

**Article 111**
The Chairman and the Directors shall be answerable to the company, the shareholders and third parties for acts of fraud and misuse of powers and for any violation of the law or the company's Statutes and for mismanagement. Any condition to the contrary shall be null and void.

**Article 112**

Liability provided for in the preceding Article, shall incumbent on all members of the Board of Directors in cases where the fault arises from a resolution adopted unanimously. However, in the event of resolutions reached by majority votes, dissent directors shall be held harmless if they entered their objection in the minutes of the meeting.

In case of absence of any director from the meeting in which the resolution was adopted, he shall be held liable unless and until it is proven that he was not aware of the resolution or that he, despite his awareness, was unable to protest against it.

**Article 113**

Action in liability shall be introduced by the company against the Board of Directors due to errors causing damages to shareholders as a whole. A General Assembly's resolution shall be required name the person who shall introduce such action in the company's name.

If the company is in the course of liquidation, then the liquidator shall, institute such action upon a resolution taken by the General Assembly.

**Article 114**

Every shareholder is entitled individually to institute such action in case the company fails to do so, should he sustain a personal damage as shareholder from such act provided he notifies the company of his intention to sue. Any provision in the company by-laws to the contrary shall be null and void.

**Article 115**

A resolution adopted by the General Assembly releasing the Board of Directors from liability shall in no way forfeit the civil liability action against Board members because of faults committed in the course of discharging their duties. If the act generating liability was submitted to the General Assembly and it was ratified by it, the liability action shall be forfeited one year subsequent to the meeting issuing such resolution. However, if the act attributed to the directors constitutes a criminal offence, the liability claim shall be forfeited only if the public claim is forfeited.

**Article 116**

As amended by Federal Law no. 13 dated 26/12/1988:

The General Assembly may, even if it is otherwise stipulated in its Statutes, discharge all or part of the Board members, and in such case the General Assembly shall elect other members to replace them and shall notify of such action, both the Ministry and the competent Authority.

**Article 117**

A director who has been discharged from his office may not be renominated for Board membership before the lapse of three years from the issuance of the discharge resolution.

**Article 118**

The Articles of Association shall set forth the method of determining the Directors remuneration which may not exceed 10% of the net profit after deducting depreciation and reserve and distribution of dividends of not less that 5% of the capital to the shareholders.

**SECTION TWO**

**ORDINARY GENERAL MEETING**

**Article 119**

The Ordinary General Meeting of shareholders shall be convened by the Board of Directors at least once every year within four months following the end of the financial year at the place and date fixed in the company's Articles of Association. However, the Board may, whenever it deems necessary, call for the Meeting to convene.
Article 120

The Board of Directors shall convene the General Meeting whenever it is requested to do so by the Auditor. If the Board fails to convene the meeting within fifteen days from the date of such request, the Auditor may directly call for the meeting.

Article 121

As amended by Federal Law no. 13 dated 26/12/1988:

If at least 10 (ten) shareholders representing at least 30% of the capital should for serious reasons request the General Meeting to convene, the Board shall act accordingly and shall, within fifteen days from the date of such request, send the convocation. In case the Board fails to do so, the Ministry, after consultation with the competent Authority, may, within fifteen days of the date of application send the convocation at the request of the said shareholders or at the request of a lesser number of shareholders representing at least 30% of the capital.

Article 122

As amended by Federal Law no. 13 dated 26/12/1988:

After consultation with the competent Authority, the Ministry has to convene the General Meeting in any of the following instances:

1 - Failure to convene the meeting after the lapse of thirty days from the date fixed in Article 119.

2 - If the number of Board members fall below the minimum required for the validity of its meetings.

3 - If the Ministry discovers at any time a violation of the law, a breach of the company’s Articles of Association or a mismanagement.

In all the cases provided herein and in the preceding three Articles, both the Ministry and the competent Authority may delegate one or more of its representatives to attend the General Meeting as observers with no right to vote. Their presence shall be entered in the minutes of the Meeting.

Article 123

As amended by Federal Law no. 13 dated 26/12/1988:

Extending the convocation to all shareholders shall be done though an announcement to this effect in two local Arabic dailies and by registered letters twenty one days at least before the date fixed for the meeting.

The announcement shall contain the meeting agenda. A copy of the convocation papers shall be sent to both the Ministry and the Competent Authority within the period fixed in the preceding paragraph.

Article 124

The agenda of the Annual General Meeting shall contain the following:

1 - Hearing and ratifying the report of the Board of Directors on the company’s activities and its financial position during the preceding year and the auditor’s report.

2 - Discussing and approving the company’s: balance sheet and profit-loss accounts.

3 - When necessary, electing members of the Board of Directors, and appointing auditors and, unless provided in the company’s Articles of Association, fixing the auditors’ remunerations.

4 - Considering the proposal of by the Board of Directors concerning distribution of dividends.

5 - Discharging the Directors and Auditor from liability, or else decide to take liability action against them, as the case may be.

Article 125

Every shareholder is entitled to attend the General Meeting and shall have a number of votes equal to the number of shares held by him.

Article 126
Whoever is entitled to attend the General Meeting may appoint a proxy, other than a member of the Board, through a special power evidenced writing. In such capacity no authorized proxy may hold more than 5% of the company’s capital.

Persons lacking capacity or completely incapacitated shall be represented by their legal representatives.

Article 127

The General Meeting shall be chaired by the Chairman of the Board of Directors or his deputy or whoever the Board might assign for this purpose.

In case of failure of the said persons to attend the meeting, the General Assembly shall appoint from among the shareholders a chairman and a reporter for its meeting.

If the General Meeting is discussing a matter related to the Chairman of the meeting, it shall select from among the shareholders one to preside.

Article 128

The General Meeting shall be valid only if attended by shareholders representing at least one half of the company’s capital. In the event of lack of quorum during the first meeting, the General Meeting shall hold a second meeting within a period of thirty days succeeding the first meeting. The second meeting shall be valid in all cases.

Subject to the provisions of Article 132 hereunder, the General Meeting’s resolutions shall be taken by absolute majority of votes represented in the meeting.

Article 129

The General Meeting is competent to examine all matters pertaining to the company’s affairs other than those reserved by law or by the company’s Articles of Association for the Extra-Ordinary General Meeting.

The General Meeting may not deliberate on matters not mentioned in the agenda. Nonetheless it is entitled to deliberate on serious matters discovered during the meeting.

If a public body shareholder or if a number of shareholders representing at least 10% of the company’s capital cash for entry of particular issues on the agenda, the Board of Directors shall have to comply, otherwise the Assembly is entitled to decide discussion of such matters.

Article 130

Every shareholder shall be entitled to discuss matters on the agenda of the General Meeting and to address queries to the member of the Board of Directors. The Board shall answer these queries to the extent not detrimental to the company’s interests.

A shareholder who is not satisfied with the reply may refer the matter to the General Meeting.

Any Provision in the company’s Articles of Association to the contrary shall be null and void.

Article 131

The Articles of Association shall determine the method of voting with regard to the General Meeting resolutions. Election, of Board members, their discharge or accountability shall take place by secret ballet.

Article 132

Directors may not participate in voting in the General Meetings on matters concerning their discharge from managerial liability or their personal interests or disputes arising between them and the company.

Article 133

The Minutes of the General Meeting shall indicate the names of attending shareholders either in person or by proxy, the number of shares held or represented by those present, the number of votes allocated.
Article 134

Minutes of the General Meeting shall be regularly recorded after each session in a special register to be kept in compliance with the provisions to be prescribed by a ministerial regulation. The Chairman of the meeting, the Reporter, teller of votes and Auditor shall sign each minutes.

Signatories of the minutes shall be liable for the veracity of the contents thereof.

Article 135

As amended by Federal Law no. 13 dated 26/12/1988:

Resolutions adopted by the General Meeting in compliance with the provisions of the law and Articles of Association shall be binding on all the shareholders whether present at or absent from the meeting and whether in favor or against such resolutions.

The Chairman of the Board of Directors shall enforce the resolutions of the General Meeting and notify a copy thereof to both the Ministry and the competent Authority.

Article 136

Without prejudice to the rights of bona fide third parties, any resolutions made in violation to the provisions of this Law or Articles of Association shall be null and void.

Any resolution, made in favor of, or causing damage to, a particular group of shareholders or granting a special privilege to the Board members or others regardless of the company's interests may be annulled.

A resolution adjudged in nullity, shall be deemed not existing with regard to all shareholders. The Board of Directors has to publish the decision in nullity in two local dailies issued in the Arabic language.

The court action in nullity shall be forfeited after the lapse of one year as of the date of the challenged resolution. Filing the court action shall stay the execution of the resolution unless decided otherwise by the court.

SECTION THREE

EXTRA-ORDINARY GENERAL MEETING

Article 137

Subject to the other powers prescribed herein, the Extra-ordinary General Meeting shall have the power to amend the company's Memorandum and Articles of Association. The same meeting, however, may not amend the company Articles in a manner leading to increased burdens on the shareholders or amend the main objectives of the company or move the company's head office incorporated in the State to any other foreign country. Any provisions stipulating otherwise shall be null and void.

The Extra-Ordinary General Meeting shall be competent to:

1 - Increase the capital or reducing it.
2 - Dissolve the company or merge it with another company.
3 - Sell the venture carried out by the company or dispose of it in any other manner.
4 - Extend the term of the company.

Article 138

Subject to provisions stipulated hereunder, the provisions pertaining to the Ordinary General Meeting shall apply to the Extra-Ordinary General Meeting.

Article 139

As amended by Federal Law no. 13 dated 26/12/1988:
The Extra-Ordinary General Meeting shall meet only upon convocation of the Board of Directors. The Board has to address such convocation if so requested by a number of shareholders representing at least 40% of the company's capital. Should the Board fail to do so within fifteen days as of this request, the applicant may request the Ministry to address such convocation after consultation with the competent Authority.

The Ministry and the competent Authority may delegate one or more representatives to attend the meeting without having the right to vote, and their presence shall be entered in the minutes of the meeting.

Article 140

As amended by Federal Law no. 13 dated 26/12/1988:

An Extra-Ordinary General Meeting shall be valid only if attended by shareholders representing at least three quarters of the company's capital.

If this quorum is not attained, the Meeting shall re-convene within a period of thirty days after the first meeting. The second meeting shall be valid if attended by shareholders representing one half of the company's capital.

If no quorum is attained in the second meeting, a third meeting shall be called to be held within a period of thirty days as of the date of the second meeting. The third meeting shall be valid irrespective of the number of the attending shareholders. Resolutions reached by the latter meeting shall be valid only if approved by the competent Authority.

Article 141

As amended by Federal Law no. 13 dated 26/12/1988:

Extra-Ordinary General Meeting resolutions shall be reached by a majority of shares represented in the meeting except where such resolutions pertain to an increase or reduction of capital, extension of the company's term, winding it up, amalgamating it with another company or its conversion. In all such cases the resolutions shall be valid only if adopted by a majority of three quarters of the shares represented in the meeting.

The Chairman of the Board of Directors shall enforce the resolutions of the Extra-Ordinary General Meetings and forward, within fifteen days from date of issue thereof, a copy of the same to both the Ministry and the competent Authority.

Article 142

Prior to the date fixed for Ordinary or Extra-Ordinary General Meetings, shareholders shall enter their names in a special register prepared for this purpose at the company's head office. The Register shall show shareholders' names, number of shares represented by them and name of the owners of such shares, together with the submission of their proxy deeds. The shareholder shall be given a card to attend the meeting in which shall be mentioned the number of votes he deserves whether in person or by proxy.

Article 143

The resolution of the Extra-Ordinary meeting concerning the amendment of the Company's Statutes shall obey to the same procedures required for publicizing the Articles of incorporation.

SECTION FOUR

AUDITORS

Article 144

Each joint-stock company shall have one or more auditor(s) appointed by the General Meeting of shareholders for a term of one renewable year. The General Assembly shall determine the auditor's remunerations.

Board of Directors may not be mandated for this purpose. The founders however, may appoint an auditor who will carry out his duties until the first General Meeting is convened.

Article 145

The auditor must fulfill the following requirements:
1 - He must have his name entered in the list of auditors in compliance with the provisions of Federal Law No. 9 for 1975 Regulating the Profession of Accountancy and Auditing.

2 - He is not allowed to be simultaneously an auditor and a participant in the foundation of the company or a member of its Board or to carry out any technical, administrative or advisory work therein.

3 - He is not allowed to be partner or an attorney or a relative to the fourth degree of a company founder or Director.

Article 146

As amended by Federal Law no. 13 dated 26/12/1988:

The Auditor shall examine the company's accounts and inspect its balance sheet, and the profit- and loss account. He shall also take note of the proper implementation of the law and the company's Statutes. He shall submit a report of his findings to the General Meeting and deliver copies of the same to both the Ministry and the competent Authority.

Article 147

As amended by Federal Law no. 13 dated 26/12/1988:

The Auditor shall have at any time right of access to all the company books, records documents and other papers. He may request explanations as he may deem necessary for the performance of his task and verify the company's assets and liabilities. The Chairman of the Board of Directors shall facilitate his mission.

In the event of obstruction of the auditor's mission, the Auditor shall enter the same in a report to the Board of Directors. If the Board did not facilitate his mission, the Auditor shall send copies of his report to both the Ministry and the competent Authority and submit the matter to the General Meeting.

Article 148

The Auditor shall convene the General Meeting in the event of failure on the part of the Board of Directors to do so and whenever extreme necessity so require. In either of such cases, the Auditor shall draft and publish the agenda.

Article 149

The Auditor shall preserve the company's secrets and shall not, except in the General Meeting, disclose to the shareholders or to others any of the company's secrets that came to his knowledge in the course of discharging his duties. In the event of failure to abide by the above provisions, he shall be subject to dismissal and a claim in damages.

Article 150

The Auditor shall attend the General Meetings and present his views with regard to matters relating to his assignment particularly with regard to the company balance sheet and shall recite his report before the General Meeting. The report must include the following:

1 - Whether the Auditor has satisfactorily obtained the information he considers necessary.

2 - Whether the balance sheet and the profit- and loss account are consistent with facts and includes all what the provisions of the law and the company's Statutes provide that it must be written therein and whether these do clearly and honestly reflect the financial position of the company.

3 - Whether the company keeps regular accounts.

4 - Whether the inventory was conducted according to established principles.

5 - Whether the information contained in the Board of Directors' report complies with the company records.

6 - Whether the provisions of the law or the company's Statutes were violated during the financial year to an extent that affects the company's activities or its financial position, and shall further state whether, in the
limits of the information made available to him, such violations are still existing.

If two Auditors are employed by a company, each shall submit his report independently.

The Auditor's report shall be recited at the General Meeting and each shareholder shall have the right to discuss and request explanations with regard to the facts contained therein.

**Article 151**

The Auditor shall be responsible to the company with regard to audit control and credibility of details contained in his report and shall indemnify the company against damages sustained by it as a result of what he committed during the exercise of his work. In case there are several auditors, each shall be liable for his mistakes that generated the prejudice.

Claims concerning the liability described in the preceding paragraph not be heard after the lapse of one year as of the date of the General Meeting in which the Auditor's report was recited. If the act attributed to the Auditor, constitutes a criminal act, the claim in liability shall remain in existence throughout the duration of the public claim.

**CHAPTER FOUR**

**DEEDS ISSUED BY THE COMPANY**

**Article 152**

Deeds issued by the company are shares and debentures.

It is not permissible to create founders' shares nor to grant the founders or others any particular preferences. It is further not permissible for the company to issue preference shares of any kind.

**SECTION ONE**

**SHARES**

**Article 153**

The company's capital is constituted of equal shares which nominal value may not be less than one Dirham and not more than one hundred Dirhams. Upon incorporation of the company it is not permitted to issue shares at a lower or higher price than the nominal value plus issue charges.

All company shares shall have equal rights and be subject to equal obligations.

**Article 154**

Shares issued shall be negotiable registered shares and it is not allowed to issue shares to bearer. As to dividend vouchers which the Company's Statutes determine their forms and terms, they may be registered or to bearer.

**Article 155**

A share is indivisible. However, if the title to a share devolves by inheritance to a number of heirs or if its title is acquired by number of persons, they shall select one of them to act as their representative before the company and all such persons shall be jointly liable for the obligations arising from the ownership of the share.

**Article 156**

No shareholder shall be released from paying the share value. Set-off between such obligation and the shareholder's entitlements from the company is not allowed.

A company creditor may file the lawsuit in his own name against the shareholder claiming from him payment of the share value.

**Article 157**

A shareholder may not ask reimbursement of the amounts paid by him to the company as share in the capital.
Article 158

Following its incorporation, the company shall substitute subscription receipts with provisional share certificates signed by two Directors showing the name of the shareholder and the number of shares he subscribed to, methods of payment of their value, paid up amount and date of payment in addition to the serial number of the provisional certificate, numbers of shares owned by him and the company capital and its head office. These certificates shall stand as shares.

Article 159

Within six months from the date of registration in the Commercial Register, the company shall substitute the provisional certificates for shares which deed should be signed by at least two members of the Board of Directors. If the value of the share is paid in installments, the company's liability with regard to delivery shall be deferred until full settlement.

Shares representing contributions in kind may be delivered only after transfer of title to these contributions to the company.

The share shall in particular bear the date of the permit authorizing the foundation of the company and of its publication in the Official Gazette, the company's capital and the number of the capital shares, in addition to the company's seat and duration.

Article 160

Dividend vouchers shall be attached to the share and may be registered or to bearer and in all cases shall be negotiable. Any restriction to their negotiability shall be null and void.

Article 161

As amended by Federal Law no. 13 dated 26/12/1988:

Shares, names of shareholders, their nationalities and place of residence and the paid up amount of the share value shall be registered by the company in a special register named "The Shares Register". The company shall, at the end of each financial year, provide the Ministry and the competent Authority with copies of these particulars and of any amendments thereto.

Article 162

Title to a share shall be transferred upon entry of the conveyance in writing in the company's register and this entry shall be marked on the share. The conveyance is not binding to the company or to third parties except as from the date of entry in the Register.

The company, however, may decline entry of the conveyance of shares in the following circumstances:

1 - If such conveyance is in violation of the provisions of this Law or Articles of Association.

2 - If the shares are under lien or sequestration by court order.

3 - If the shares are lost and no new shares were given in replacement thereof.

4 - If the company is a creditor against the shares, it may withhold from recording the conveyance until payment of its dues.

5 - If a party to the contract is completely or partially incapacitated, or declared bankrupt or insolvent.

Article 163

The Company's Articles of Association shall determine the methods and conditions of disposal of shares provided that such disposal does not decrease the State citizens quota in the company's capital below what is prescribed by this Law.

Article 164

Shares may be pledged by delivery of the same to the mortgagee after satisfying the procedures prescribed in Article 162 above.
Unless otherwise agreed in the mortgage deed, the mortgagee shall have the right to collect dividends and exercise the rights attached to the share.

**Article 165**

If a title of a share devolves by heritage or will, the heir or legatee shall request registration of the transfer of title in the Register of Shares.

If the title is transferred by a mandatory court order, it shall be recorded in the Register of shares and mention to this effect shall be marked on the share.

Whoever acquires the share title may not exercise the rights resulting therefrom except as of the date of its entry in the said Register.

**Article 166**

The company’s assets may not be attached due to debts owed by a shareholder. Creditors of the indebted shareholder may, however, lay an attachment on the share and the dividends accrued therefrom and the attachment of the share shall be mentioned in the Register of Shares by virtue of a judicial announcement and thereafter mention shall be made on the share itself to the effect that it has been attached.

**Article 167**

If a shareholder fails to pay the installment of the share value on due date, the Board of Directors may proceed with execution on the share by notifying the shareholder by registered letter to pay the due installment and if he fails to pay within thirty days, the company may sell the share by public auction and recover the amount of outstanding installments together with interest and expenses from the proceeds of the sale and refund the balance to the shareholder. If the sale proceeds are short of satisfying company’s entitlements, the company shall have the right of recourse on the private properties of the shareholder.

The company shall cancel the share object of the execution, and deliver to the purchaser a new share under the same number as the cancelled share and enter the sale and the name of the new owner in the Share Register.

**Article 168**


The company may not pledge its own shares or buy them off unless for the purpose of reducing the capital amount or for depreciation of the shares in which case these shares shall have neither the right of vote in the General Meeting nor a share in the dividends.

The Company may, nevertheless, purchase a maximum percentage of its shares not exceeding 10% of these shares for the purpose of reselling in accordance with the following criteria:

1. The Company should obtain the approval of the Securities and Commodities Organization prior to the purchase transaction according to the criteria set by the Organization to this effect.

2. The purchase transaction should be executed by the Company's Board of Directors within a period not exceeding one year from the approval of the Organization.

3. The Company should have a cash surplus to execute the purchase transaction, without using the capital or the legal reserve fund for the purpose.

4. With due observance of the provision of clause (9) of this Article, the purchase transaction must be announced to the public through publishing it in two wide-spread local dailies, one of which at least issued in the Arabic language, and provided there is a lapse of two weeks between the date of announcing the Company's intention to purchase the shares and the effective date of executing the purchase transaction.

5. The Company should not proceed with any sale transaction during the process of the advertised purchase transaction and provided that the sale of the purchased shares be completed within a period not exceeding two years as of the date of the last purchase. In case the sale is not
completed within the prescribed period, the purchase transaction shall be considered of the purpose of reducing the capital and consequently the purchased shares shall be destroyed.

6 - The purchase and sale transactions should take place in one of the financial markets licensed in the State.

7 - The Company must not issue new shares before completing the sale transaction of the purchased share.

8 - The redemption transaction by the Company of its shares should not take place within the 15 (days) preceding, or the (3) days subsequent to advertising the Company's financial data or any material information that might affect the share price up or down.

9 - The Company must not reiterate a request for approval to purchase its shares for the purpose of reselling except after the lapse of a minimum period of one year from the date of the last sale of its purchased shares.

10 - Should the Company be a bank, it must obtain the approval of the Central Bank prior to any purchase and provided it undertakes to finance the purchase transaction from the financing sources and in accordance with the rules as determined by the Central Bank to this effect.

11 - Neither the Company's Board of Directors nor any of its executive officers may be a party to the purchase or sale transactions executed by the Company.

12 - The purchase and sale transactions of the Company's shares must be declared in the quarterly report issued by the Company.

The purchased shares for the purpose of resale shall forfeit the right to the dividends and to voting in the General Meeting until they are re-sold.

**Article 169**

A shareholder shall be entitled to all rights attached to the share and in particular his right to obtain his share in the profits and in the Company's assets in case of liquidation, to attend the General Meetings and vote its resolutions. These rights should be exercised in accordance with the restrictions and the conditions provided for in this Law and in the Articles of Association.

**Article 170**

The shareholder may inspect the company's books and documents, after securing the authorization of the Board of Directors or the General Assembly as prescribed by the Company's Articles of Association.

The Court may instruct the company to provide the shareholders with specific information not detrimental to the company's interests.

**Article 171**

The Articles of Association may provide for share depreciation during the life of the company if its venture depreciates gradually or is based on temporary rights.

Part of the profit and annual reserve for share depreciation, shall be allocated by ballot provided that the shareholder whose share is depreciated shall obtain a bonus share.

Depreciation may be effected by the company's purchase of its own shares, and the shares thus obtained shall be destroyed by the company.

**Article 172**

The Company's Article's of Association shall determine the rights attached to bonus shares. However, the Articles shall allocate a portion of the net profits for undepreciated shares with priority given thereto as opposed to the bonus shares. Upon the expiry of the Company's duration, holders of undepreciated shares shall have priority in collecting from the liquidation assets an amount equal to the registered value of the shares.

**Article 173**

Shares in consideration of cash subscribed to by the founders or shares in consideration of property or services may not be disposed of before the publication of the balance sheet and the profit and loss account for at least two financial years after the announcement of the company's foundation.
These shares shall be marked to show both their kind and the date of the company's foundation.

It is permissible, however, during the prohibition period, to transfer the title of shares paid in cash by means of sale by one founder to another or to a Director for submission as security for his management or from heirs of a founder, in the event of his death, to third person.

The provisions contained in this Article shall also apply to subscriptions made by the founders in the event of increase of the capital, before the lapse of the prohibition period.

**Article 174**

Any resolution issued by the Ordinary or the Extra-Ordinary General Meetings affecting the shareholder's rights derived under the provisions of this Law or the company's Articles of Association or increasing his liabilities shall be deemed null and void.

**Article 175**

The company's Articles may restrict the negotiation shares or the shares provisional certificates, for amounts exceeding their registered value plus issue charges, prior to the publication of the balance sheet and the profit-and-loss account for the initial financial year.

**Article 176**

If the Articles of Association provide for redemption in favour of the shareholders, share-owners shall, before disposing of their share, notify the company of the name of the purchaser party and the price agreed. The shareholders may, within a period fixed in the Articles of Association, substitute themselves for the purchasing party. Should the Board of Directors decide that the price was over-valued, it may ask the Auditor to fix a fair price for the share.

**SECTION TWO**

**DEBENTURES**

**Article 177**

As amended by Federal Law no. 13 dated 26/12/1988:

Subsequent to the approval of the General Meeting, the company may contract loans against issuing negotiable bonds of equal value.

The General Meeting may authorize the Board of Directors to fix the amount and terms of the loan. The loan shall be entered in the Commercial Register and notified to both the Ministry and the competent Authority.

**Article 178**

Debentures shall be registered or to bearer, but shall continue to be a registered bond until full payment of its value.

**Article 179**

The Company shall not issue debentures before full payment of its capital by the shareholders and the publication of its balance sheet and profit-loss account for one financial year at least.

Nevertheless, the company may issue debentures before the publication of the balance sheet only if the State or an operating bank therein guarantees the payment of these debentures or if guaranteed by instruments issued by any of the above.

**Article 180**

The value of the debentures shall in no way exceed the available capital as shown in the last approved balance sheet unless the company was permitted to do so under its incorporation decree or unless the debentures are guaranteed by the State or by a bank operating therein.

The resolution concerning the issue of loan debentures shall be effective only after it is registered in the Commercial Register.

**Article 181**
Debentures issued for a single loan shall give their holders equal rights, and any provision to the contrary shall hereby be revoked.

**Article 182**

Debentures offered for public subscription shall be made through one or more banks operating within the State. They shall be offered to the public at least fifteen days in advance by notice published in two local Arabic dailies signed by the members of the Board of Directors and containing the following:

1. The decree approving the issue of debentures and its date.
2. Number of debentures, their nominal value and the closing date of subscription.
3. Interest rate.
4. Maturity date, terms of payment and payment guarantees, if any.
5. The company's paid-up capital.
6. Number of debentures already issued, their guarantees and the outstanding debentures upon issuance of the new ones.

**Article 183**

As amended by Federal Law no. 13 dated 26/12/1988:

Income bonds may not be issued by the Board of Directors except by decision of the competent Authority. The company may also issue debentures payable with an issue premium payable upon depreciation or settlement thereof. The company may further issue bonds with incremental value.

**Article 184**

As amended by Federal Law no. 13 dated 26/12/1988:

Within one month from the closing date of subscription, the Board of Directors shall provide the Ministry and the competent Authority with a statement on the subscription progress and names and nationalities of subscribers and their respective subscriptions.

**Article 185**

Resolutions adopted during the General Meetings of shareholders shall apply to bond holders. The same assemblies, however, may not modify the rights granted to bond holders except by their approval in a special meeting reserved for them in accordance with the provisions governing the Extra-Ordinary meeting of shareholders.

**Article 186**

Debentures may not be converted into shares unless so stipulated in the loan conditions and compliance with the terms provided for in the preceding Article.

If conversion is decided, the bond holder may, at his discretion, either accept the conversion or collect the registered value of the bond.

**SECTION THREE**

**LOSS AND DAMAGE OF SHARES AND DEBENTURES**

**Article 187**

If a registered share or bond is lost or damaged, the owner thereof whose name is shown in the Company's Register may ask for a new instrument in replacement thereof.

The owner shall publish in two local Arabic dailies the serial numbers of the lost or damaged instruments, their number as well as the number and serial numbers of the dividend coupons attached thereto.

If, within thirty days from the date of publication, no objection is received by the company, it shall provide the owner with a new instrument wherein it shall be stated that it was issued in replacement of a lost or a damaged one. Such instrument shall entitle its holder all the
rights and subject him to all obligations related to the lost or damaged instruments.

Article 188

Whoever objects to the giving of an instrument in lieu of the lost one, referred to in the preceding Article, may, within fifteen days from date of publication, file his claim before the competent court, and, in the event of failure to do so, the objection shall be disregarded.

The court shall decide the case summarily.

Article 189

Upon being notified of the final judgment, the Company shall deliver the substitute bond to the beneficiary thereof.

CHAPTER FIVE

COMPANY FINANCES

Article 190

The company shall have a financial year to be determined in its Articles of Association.

Article 191

At least one month before the annual General Meeting, the Board of Directors shall, in each financial year, prepare the company's balance sheet, profit and loss account, a report on the company's activities and financial position during that year, as well as the method proposed for the distribution of net profits.

The Chairman of the Board of Directors shall sign the report, the balance sheet and the profit and loss account.

Article 192

Unless a higher percentage is fixed by the company's Articles of Association, ten percent of the company's net profit shall be deducted annually to create the statutory reserve.

The General Assembly may discontinue such deduction whenever the statutory reserve reaches one half of the paid-up capital.

The statutory reserve may not be distributed to the shareholders, but any excess, beyond one half of the paid-up capital, may be used for the distribution of dividends to the shareholders in years where the company's net profits are not enough to cover the percentage fixed for them in the company's Article of Association.

Article 193

The Articles of Association may provide putting aside a specific percentage of the net profit to creating provisions to be used for the purposes described therein. Such provisions may not constitute a statutory reserve to be allocated for the purposes provided for in the Articles and it may not be used for any other purposes, except by resolution of the Ordinary General Meeting.

Article 194

The Articles of Association shall fix the percentage of net profit which must be distributed to shareholders after the deduction of the legal and statutory reserves.

A shareholder is entitled to his share in profit upon the issue of the General Assembly's resolution approving such distribution and the Board of Directors shall implement the said resolution within thirty days from the date thereof.

Article 195

Fictitious profits may not be distributed. The Board of Directors shall be liable to the shareholders and the company in respect thereof.

Article 196
A company whose establishment requires a long time may, in its Articles of Association, allow for the grant of a fixed interest to the shareholders during the establishment period.

**Article 197**

The Company shall neither grant cash loans of any kind whatsoever to its Chairman or to any of its Directors nor shall it guarantee any loan contracted their favor with third persons.

As an exception to the foregoing, banks and fiduciary companies may, within the limits of their objectives and under the terms applied to their customers, grant loans to the Chairman or any of the Directors, open credits in their favor or guarantee them in their loans contracted of with third persons.

**Article 198**

Except for minor customary donations and provided the company makes profit, no donations of any kind may be granted unless after the lapse of two years as of the date of its foundation.

With regard to other kinds of donations, their validity is contingent on the issuance of a resolution by the Board or Directors upon authorization from the General Assembly, and provided that it does not exceed 2% of the company’s average net profits realized during the two financial years preceding the year during which the donation was made.

**CHAPTER SIX**

**MODIFICATION OF COMPANY CAPITAL**

**SECTION ONE**

**CAPITAL INCREASE**

**Article 199**

The company’s capital may be increased by a resolution adopted during an Extra-Ordinary General Meeting stating the increase volume and the issue price of new shares.

The aforesaid General Meeting may, however, authorize the Board of Directors to fix a date for the enforcement of the said resolution provided it does not exceed five years after its issue, otherwise it shall be considered as non-exciting.

**Article 200**

The company’s capital may not be increased except after the initial capital is fully paid-up.

**Article 201**

Capital increase shall be affected by either of the following methods:

1 - Issue of new share.

2 - Merger of reserves into the capital.

3 - Conversion of debentures into shares.

**Article 202**

Regulations pertaining to subscription in the initial shares shall apply to subscription in the new ones.

**Article 203**

As amended by Federal Law no. 13 dated 26/12/1988:

New shares shall be issued with a par value equal to the par value of the initial shares. However, Extra-Ordinary General Meeting may add an issue premium to the par value of the share and determine its amount provided that approval of the competent authority and the Ministry is obtained.
This issue premium shall be added to the legal reserve even if in so doing the reserve exceeds half of the capital.

Article 204

The shareholders shall have priority to subscribe in new shares. Any condition in the Articles of Association, or the resolution increasing the capital, stating otherwise shall be null and void.

Article 205

The Chairman shall, publish in two local Arabic dailies, a notice informing the shareholders of their priority in subscription, its commencement and expiry date, and of the prices of the new shares.

A shareholder who wishes to exercise such right shall express his desire in writing within the period fixed for subscription.

Article 206

Allocation of shares to shareholders applying for subscription shall be pro rata to the shares held by them provided that it does not exceed the shares applied for. The remaining shares shall be allocated for the shareholders who applied for more than the ratio pertaining to the shares owned by them. The balance shall be offered for public subscription.

Provisions concerning the assessment of contributions in kind shall apply should the increase in capital include such shares, provided that the Ordinary General Meeting shall stand for the Statutory General Meeting.

Article 207

Merger of reserve in the capital shall be done either by the creation of bonus shares distributed among the shareholders pro rata to the shares held by them, or by means of increase in the par value of the share equal to the increase in the capital, provided that the shareholders shall not be liable to any financial burdens as a result thereof.

Article 208

Conversion of the debentures into shares shall be made by allocation of the capital reserve, in full or in part, for this purpose.

SECTION TWO

REDUCTION OF CAPITAL

Article 209

Subject to the Ministry's approval, capital shall not be reduced except by resolution adopted during an Extra-Ordinary General Meeting and after hearing the Auditor's report. Reduction may be made in either of the following two instances:

1 - If the capital exceeds the company's needs.

2 - If the company sustains loss which may not likely be recovered from future profits.

Article 210

Reduction of capital shall be made by one of the following means:

1 - Decrease of the par value of shares, either by reimbursement of part of their value to the shareholders or by releasing them from the unpaid amount of their shares in full or in part.

2 - Decrease of the value of shares by calling off a part of such value equal to the loss sustained by the company.

3 - Write off a number of shares equal to the portion intended to be reduced.

4 - Purchase and destruction of a number of shares equal to the portion intended to be reduced.

In all instances, the provisions of Article 152 above shall be observed and the General Assembly resolution shall fix the method to be following by reduction.
Article 211

The Board of Directors shall publish in two local Arabic dailies, the resolution deciding the reduction of the capital, and, within sixty days from the date of publication, the creditors shall provide the company with documents in support of their debts enabling the company to pay their due debts and provide adequate securities for deferred ones.

Article 212

If the capital is reduced by reimbursement of part of the par value of the shares to the shareholders or by releasing them from the unpaid amount of the shares value, in full or in part, such reduction may not be invoked against the creditors who either submitted their demand within the period fixed in the preceding Article or who obtained adequate securities for the payment of deferred debts.

Article 213

If the capital is decreased by writing off a number of shares, equality between the shareholders shall be observed. The shareholders whose shares are cancelled shall, within the period to be fixed by it, provide the company with the shares decided to be cancelled failing which the company may consider such shares cancelled.

This shall not result in depriving the shareholder from participating in the company.

Article 214

If it is resolved to reduce the company's capital by the purchase and destruction of a number of its shares, all shareholders shall be invited to offer their shares for sale. Such invitation shall be published in two local Arabic dailies, or sent by registered letters. If the number of shares offered for sale exceeds the quantity decided to be purchased by the company, sale offers shall be reduced pro rata to the excess. Purchase price shall be fixed according to the provisions of the Articles of Association. If no provision is contained in this respect, the company shall pay fair prices fixed by the company's Auditors in accordance with the prevailing evaluation methods or the market price, whichever is higher.

Title Six

Private Joint-Stock Company

Article 215

A number of founders, not less than three, may, among themselves, establish a private joint-stock company whose shares are not offered for public subscription and they may subscribe to the full amount of the capital which should not be less than two million Dirhams.

Article 216

Except for provisions concerning public subscription, all provisions contained herein with regard to public joint-stock shall apply to private joint stock companies.

Article 217

As amended by Federal Law no. 13 dated 26/12/1988:

A private joint stock company may be converted into a public joint stock company if satisfying the following requirements:

1 - The par value of issued shares must be paid up in full.

2 - The company must have completed two financial years.

3 - The company must, during the two years preceding the application for conversion, have realized net profits distributable to shareholders which average shall not be less than ten per cent of its capital.

4 - The resolution calling for the conversion of the company must be adopted in an Extra-Ordinary General Meeting by a majority of three quarters of the company's capital.

The Minister shall issue a decision declaring the Company's conversion to a public joint stock company. This decision, along with the Company's
Articles of Incorporation and Memorandum of Association, shall be published, at the Company's expense, in the Official Gazette.

TITLE SEVEN

LIMITED LIABILITY COMPANIES

CHAPTER ONE

ESTABLISHMENT OF THE COMPANY

Article 218

A limited liability company is an association of a maximum number of fifty and a minimum of two partners.

Each of them shall be liable only to the extent of his share in the capital, and the partners' shares may not take the form of negotiable instruments.

Article 219

A limited liability company shall have a name derived from its objectives or from the name of one or more of the partners.

The term "limited liability company" shall be added to the company's name, and stating the amount of its capital. In the event of failure on the part of the Directors to observe this provision they shall be jointly liable in their personal assets of the company's obligations, in addition to payment of damages.

Article 220

With the exception of insurance, banking and investment of funds for the account of others, a limited liability company may perform any lawful activity.

Article 221

A limited liability company shall neither resort to public subscription for the creation or increase of its capital or for obtaining needed loans, nor issue negotiable stocks or bonds.

Article 222

All shares in cash or contributions in kind mentioned in the Company's Statutes must be distributed between the partners and the value of each share shall have to be paid in full upon foundation.

Shares in cash shall be deposited in a bank operating in the State. The bank may not release the deposited amount except to the company's Managers and only upon submittal of evidence to the proving that the company is entered in the Commercial Register.

Article 223

In case a partner makes a contribution in kind, the amount thereof shall be assessed in the Company's Statutes together with mention of its kind, name of the contribution and the amount it represents in the capital. The partner who makes a contribution in kind shall be liable towards third parties for the accuracy of assessment of its amount as stated in the company's Statutes. If it is proven that the share was over-evaluated the said partner shall pay the difference in cash to the company and the founders shall be jointly liable in their private assets for the payment of such difference.

Article 224

The Founders shall draw up the Company's Statutes which shall include the following statements:

1 - Name and objectives of the company and its head office.

2 - Names of the partners, their nationalities, places of residence and addresses.

3 - Amount of the capital, share of each partner and a statement of the contributions in kind, of the corporeal shares, if any, their amounts and names of the contributors.
4 - Names and nationalities of the company's Managers, and names of the members of the Control Board in the cases where it is required by law to create such Board.

5 - Date of commencement and expiry of the company.

6 - Methods of distribution of profits and loss.

7 - Form of notices to be addressed by the company to the partners.

The Ministry may draft a specimen Statute of Association containing the above and such other particulars as it may deem fit.

Article 225

The manager of the company shall apply for its entry in the Commercial Register. Such application shall be annexed to the company's Statutes together with the other documents showing the distribution of shares between the partners, payment of their value in full and deposit of the same in a bank operating in the State.

The company shall not perform any of its activities before it is registered in the Commercial Register.

Article 226

If during the establishment period the number of partners exceeded the limit fixed by the law, the competent Authority shall notify the company to rectify its position. If the company fails to do so within six months, it shall be deemed dissolved and the partners shall be jointly and severally liable of the debts and obligations borne by the company from date such excess occurred. However, the partners proving that they had no knowledge of such excess shall be exempted.

CHAPTER TWO

SHARES AND CAPITAL

Article 227

As amended by Federal Law no. 1 dated 5/7/2009:

The limited-liability company shall have a sufficient capital for the fulfillment of the objective for which it was established. Such capital shall be determined by the partners therein, and shall be constituted of equal shares.

A share shall be indivisible, and if the share is held by more than one person, they shall appoint one of them who will be considered by the company as the owner of such share. The company may fix a date for such owners to declare their appointee, failing which the company shall have the power to sell the share for the account of its owners, and in this case the partners shall have priority to purchase it.

Unless otherwise stipulated in the Statutes, profits and losses shall be divided equally between shareholders.

Article 228

In its head office, the company shall maintain a special register for the partners showing the following details:

1 - Names and surnames of the partners, their places or residence, nationalities and professions.

2 - Number and value of shares owned by each of the partners.

3 - Transactions carried out with regard to the shares and date thereof.

The company's managers shall be jointly liable for the said register and the credibility of its contents. The partners, and whoever holds an interest, shall have the right of access to the said register.

Article 229

As amended by Federal Law no. 13 dated 26/12/1988:

In January of each year, the company shall provide the Ministry and the competent Authority with the particulars recorded in the register referred to in the preceding Article along with the amendments thereto.
Article 230

A partner may, by virtue of an official instrument, assign his share to another partner or to third persons, in accordance with the conditions set forth in the Company's Statutes. Such assignment may not be opposed to the company or third persons except as of the date of its entry in the Company's Register and the Commercial Register.

The company may not abstain from recording the assignment in the register unless it is inconsistent with its Statutes.

In all cases, the assignment may not cause decrease of the national partners' share in the capital below 51% of the total number of shares, or may not increase the number of partners above that provided for in Article 218.

Article 231

A partner who intends to assign his share to a person who is not a partner in the company, whether against consideration or not, shall, through the company's manager, notify the other partners of the assignment terms. Upon receipt of such notice, the manager shall notify the partners instantly. Each partner may request recovery of the said share at an agreed price. In the event of disagreement over the price, the company's auditor shall fix that price as it is on the recovery date. If, after thirty days, no request was made by a partner for the recovery of such share, the assignor shall be free to dispose of his share.

Article 232

If more than one partner used the right of recovery, the shares, or the sold share, shall be divided among them pro rata to their share in the capital, subject to the provisions of Article 227 above.

Article 233

A share of a partner shall devolve to his heirs. A legatee shall be deemed a heir in this respect.

Article 234

In the event of commencement of the execution procedures by a creditor against the share of his debtor, such creditor may agree with the debtor and the company on the method and terms of sale, otherwise the share shall be offered for sale in public auction.

The company may recover the share sold for the benefit of one or more partners under the same conveyance terms as awarded to the successful bidder, within fifteen days from the date thereof.

The above provisions shall apply in the event of a partner's bankruptcy.

CHAPTER THREE

MANAGEMENT OF THE COMPANY

Article 235

The management of the limited liability company shall be assumed by one or more manager(s). They shall be selected either from the partners or from others provided that their number does not exceed five.

The managers shall be appointed in the Statutes or in a separate contract for a limited or an unlimited period.

In the event of failure to appoint the managers in the above mentioned manner, they shall be appointed by the Partner's General Meeting.

Article 236

In case the manager is appointed in the company's Statutes for an unlimited period, he shall maintain his office throughout the company term unless his removal is provided for in the Statutes. In such an event, removal of the manager shall be effected by the majority required for amendment of the company's Statutes unless a different majority is provided for in the same Statutes.

If the company's Statutes do not provide for the removal of the manager, he may be removed either by a unanimous vote of the partners or by a court-order, where significant reasons justify taking such action.
Article 237

Unless the powers of the manager are fixed in the company’s Statutes, the company’s manager shall have full powers to carry out the management affairs of the company, and his actions shall be binding on the company, provided that they are substantiated by the capacity under which he acts.

Provisions pertaining to liabilities of Directors of a joint-stock company shall apply to the said manager, and any condition stipulated in the company’s Statutes to the contrary shall be null and void.

Article 238

As amended by Federal Law no. 13 dated 26/12/1988:

Within three months from the expiry of the financial year, the managers of the company shall prepare its balance sheet and the profit and loss account and shall prepare an annual report on the company’s activities and financial position in addition to their proposal for the distribution of dividends.

Within ten days from the approval of the balance sheet and the profit -and -loss account, the managers shall provide the Ministry and the competent Authority with the aforesaid documents.

Article 239

In the event of more than one manager, the Statutes may provide for the formation of a Board of managers and determine both the operating system of the said Board and the majority needed for the validity of its resolutions.

Article 240

Should the number of partners exceed seven, control shall be vested in a Board comprising at least three partners. The said Board shall be appointed by the company's Statutes for a limited period. The General Meeting may re-appoint them after the expiry of the said period or appoint others, and may, for a good reason, remove them at any time.

The managers shall have no vote whether in the election of members of the control Board, or in their removal from office.

Article 241

The Control Board shall inspect the company’s books and documents and shall carry out inventory of the treasury, goods, financial papers and documents in support of the company’s entitlements. Also, it may, at any time, instruct the managers to submit a report on their activities and control the budget, the annual report and distribution of the profits, and shall, at least fifteen days prior to the date set for the meeting, submit a report to this effect to the General Meeting of the partners.

Article 242

Members of the Control Board shall not be liable for the actions of managers unless they had knowledge of the mistakes and failed to mention same in their report to the General Meeting of the partners.

Article 243

Partners who are not managers in companies where no Control Board exists shall have the same rights of control as those assumed by joint partners in General Partnerships in accordance with the provisions of Article 36.

Article 244

A limited liability company shall have a General Meeting comprised of all the partners. The Meeting shall convene at the invitation of the managers at least once every year within the four months preceding the expiry of the financial year at the venue and date fixed in the Statutes.

The managers shall invite the General Meeting to hold a meeting if same be requested either by the Control Board or by a number of partners holding not less than one quarter of the capital.

Invitations to the General Meeting shall be addressed by registered mail to each partner at least twenty one days before the date of the Meeting.
The convocation must include the agenda, venue and time of the meeting.

**Article 245**

Each partner is entitled to attend the General Meeting irrespective of the number of shares he holds. He may appoint a partner, other than a manager, to represent him by proxy at the General Meeting. Each partner shall have a number of votes equal to the number of shares owned or represented by him.

**Article 246**

The agenda of the annual General Meeting shall include the following:

1. Hearing the managers' report on the company's activities and financial position during the year, the Control Board's report and the auditor's report.
2. Approval of the balance sheet and the profit- and -loss account.
3. Fix dividends to be distributed to the partners.
4. Appoint the manager or the Control Board members and fix their remunerations.
5. Other matters within their jurisdiction in accordance with the provisions of the law or the Statutes.

**Article 247**

The General Meeting may only deliberate on matters mentioned in the agenda except, if, during the meeting, material facts demanding deliberation, be disclosed.

If a partner requests the inclusion of a specific item on the agenda, the managers shall comply therewith, otherwise the partner shall be entitled to refer the matter to the General Meeting.

**Article 248**

Each partner shall be entitled to discuss items included in the agenda and the managers must answer their questions in a manner not detrimental to other company's interests. If a partner considered the reply to his query insufficient, he may refer to the General Meeting whose resolution shall be enforceable.

**Article 249**

Unless otherwise stipulated in the Statutes, the General Meeting resolutions shall be valid only if adopted by a number of votes representing at least one half of the capital.

If such majority is not achieved during the first meeting, a second meeting, within twenty one days from the first, shall be held. Unless otherwise stipulated in the Statutes, resolutions in the latter meeting shall be adopted by majority of the votes represented therein.

**Article 250**

The managers may not take part in voting on resolutions relating to their discharge from managerial liability.

**Article 251**

An adequate summary of minutes of the General Meeting deliberations shall be drawn up, Minutes as well as the General Meeting resolutions these minutes shall be entered in a special register kept at the company's seat. Any of the partners, either in person or through an attorney, may inspect that register as well as the company's balance sheet, profit- and -loss account and annual report.

**Article 252**

As amended by Federal Law no. 13 dated 26/12/1988:

It is not permissible to amend the partnership agreement nor to increase or decrease its capital, except with the approval of a number of partners representing three quarters of the capital and unless, in addition to the
above quorum, a numerical majority of the partners is stipulated in the partnership agreement. Nevertheless, the partners obligations may not be increased except by their unanimous approval and no reduction in the company's capital shall be valid except after approval of the competent Authority.

Article 253

The partnership shall have one or more auditor(s) appointed each year by the partners' General Assembly. These auditors shall be subject to the same provisions concerning the auditors in joint-stock companies.

Article 254

Without prejudice to the rights of bona fide third parties, shall be null and void any resolution adopted by the partners' General Assembly in violation to the provisions of this Law or the partnership's contract, or when issued in the interest of certain partners or causing damages to others without due consideration to the interests of the company. Only the partners who protested against such decision and those who, for good reasons, were unable to protest, may ask the annulment thereof.

The annulment of the resolution shall result in considering it as non-existent for all partners.

Action in nullity may not be received after the laps of one year as of the date of issue of the decision. Unless otherwise ordered by the court, filing of the claim does not necessarily suspend the enforcement of the decision.

Article 255

The partnership must each year, put aside 10% of its net profit to constitute a statutory reserve. If such deduction should amount to half of the capital, the partners may opt to suspend same.

TITLE EIGHT

PARTNERSHIP LIMITED BY SHARES

Article 256

A partnership limited by shares is an association comprising both active partners who are jointly liable in all their assets for the company's obligations, and shareholding (sleeping) partners who are liable only to the extent of their shares in the capital.

Article 257

In so far as the active partners are concerned, the partnership shall be deemed a general partnership, and the active partner shall be deemed a merchant even if he was not qualified as such prior to his participation in the partnership. All active partners must be UAE nationals.

Article 258

The capital of a partnership limited by shares shall be divided into negotiable shares of equal value.

Article 259

The name of the "partnership limited by shares" shall contain the name of one or more active partners. A creative name or one derived from its own object may be annexed to the partnership's original name.

It is not allowed to insert the name of the sleeping partner in the company's name, but if inserted knowingly, he shall, with regard to bona fide third parties, be deemed an active partner.

In all cases the term "partnership limited by shares" shall be added to the partnership's name.

Article 260

Provisions pertaining to the establishment of a joint-stock company shall apply to the establishment of a "partnership limited by shares" subject to the following:

1 - All joint partners and the other founders shall sign the Partnership Agreement and Statutes. In so far as their liability is concerned, the
provisions concerning a joint - stock company founders shall equally apply thereto .

2 - Names , surnames , nationalities and places of residence of the active partners shall be mentioned in the partnership Agreement .

3 - The partnership's capital shall be not less than five hundred thousand Dirhams .

Article 261

Deeds issued by a partnership limited by shares shall be subject to the provisions concerning the shares issued by a joint - stock company .

Article 262

The partnership's management shall be assumed by one or more active partners , and the names of the persons entrusted with the management and their respective powers shall be provided for in the Partnership Agreement and Statutes . In so far as their responsibility is concerned , the provisions concerning founders and directors of joint - stock companies shall apply thereto .

Article 263

The provisions concerning the functions and removal of the directors of joint - stock companies shall also apply to the managers of the partnership limited by shares .

Article 264

A sleeping partner , even if he holds an authorization , may not interfere in the management of affairs related to third persons . He may , however , within the limits allowed by the Statutes participate in the internal administrative affairs .

Article 265

If a sleeping partner violates the restriction provided in the preceding Article , he shall be liable in of all his assets for the obligations arising from the acts of administration performed by him . If he carried out such acts by authority of the joint partners , the party who had authorized him so to do shall be jointly liable with him for the obligations arising from such acts .

Article 266

Each partnership limited by shares shall have a Control Board comprising at least three members appointed by the General Assembly either from the sleeping partners , or from others for a period of one year subject to renewal in accordance with the provisions of the Statutes . The joint partners shall have no vote in the election of the members of the Control Board . The first Control Board shall have to ascertain that the foundation procedures have been accomplished according to the Law provisions and the members of this Board shall be jointly liable in this respect .

Article 267

The Control Board shall control the company's acts . For this purpose , the Board may ask the managers to provide it with a report on their management . It may also examine the books and documents of the partnership and conduct a stocktaking of its assets . The Board shall give its views on such matters as the company managers may refer thereto , and authorize the transactions whenever such authorization is required by the Statutes .

If the Board notices a serious violation in the partnership's management , it shall be entitled to convene the General Meeting .

The Board shall , at the end of each financial year , submit to the General Meeting of shareholders a report on the results of its control over the company's affairs .

The members of the Control Board shall not be responsible for the managers' acts or their results unless they had knowledge of the violation except for those discovered or came to other knowledge but failed or ignored notifying the General Meeting thereof .

Article 268
A partnership limited by shares shall have a General Assembly comprising all shareholders. Such Assembly shall be subject to the same provisions governing the General Assembly of joint-stock companies.

Except with the managers’ approval, the General Assembly shall not adopt resolutions pertaining to the Company’s relation with third parties.

Article 269

Unless it is otherwise provided for in the Statutes, the Extra-Ordinary General Meeting may not amend the Statutes of the partnership limited by shares except with the consent of all active partners.

Article 270

A partnership limited by shares shall have one or more auditor(s) who shall be subject to the same provisions governing the auditors in joint-stock companies.

Article 271

The provisions concerning the accounts of the joint-stock companies shall equally apply to the commandite limited by shares.

Article 272

In the event of vacancy in the position of the manager of the partnership limited by shares, the Control Board shall appoint a temporary manager who will attend to urgent administrative affairs until the General Meeting convenes.

Such temporary manager, within fifteen days from date of his appointment, shall convene the General Assembly for a meeting in accordance with the procedures set forth in the Statutes, failing which the Control Board shall send the convocation without delay.

TITLE NINE

RE-ORGANIZATION AND MERGER OF COMPANIES

CHAPTER ONE

REORGANIZATION OF COMPANIES

Article 273

A company may be converted from one form to another and such re-organization shall be virtue of a decision taken in compliance by with the provisions concerning the amendment of the company’s Memorandum or Articles of Association and completion of the formalities pertaining to the form to which it was converted.

A resolution for re-organization shall be accompanied by the company's statement of assets and liabilities and the estimated amount of both.

Re-organization of a company and its evaluation shall be entered in the Commercial Register.

Article 273 Bis

Added by Federal Law no. 10 dated 19/8 / 2007:

1 - The local Family Company: is the company wholly owned by physical persons affiliated to one family related to ascendants up to the fourth degree grandfather, or juristic persons wholly owned by the members of one family tied up with the same degree of kinship as concerns the local family company, regardless of the form of such company.

2 - With the exception of the provisions of the two Articles 78 and 273 of this Law, partners in a local family company which is converted to a public joint-stock company may detain no more than 70% of its capital and deduct not less than 30% of it to be offered in public subscription.

Article 274

A company shall continue to maintain after conversion its rights and liabilities prior to its re-organization. Re-organization shall not release the joint partners from the company’s liabilities preceding the conversion unless this is approved by the creditor and such approval shall be
assumedly given if the creditor did not object in writing to the conversion within three months from the date they are formally informed of the conversion in accordance with the procedures decided by the Minister.

**Article 275**

In the event of re-organization into a joint-stock company, a partnership limited by shares or a limited liability company, each partner shall have a number of shares or stocks equal to the value of his shares.

If the partner's share falls short of the minimum limit of a share in a limited liability company, he shall have to complete it.

**CHAPTER TWO**

**AMALGAMATION OF COMPANIES**

**Article 276**

Even if under liquidation, a company may be amalgamated with another company of the same or of different kind. Amalgamation shall be by either of the following method:

1. By merger; i.e. by way of dissolution of one or more company and transfer its assets and liabilities to an existing company.

2. By consolidation; i.e. by way of dissolution of two or more concerns and the foundation of a new company to which all assets and liabilities of the dissolved companies are transferred.

The merger or consolidation resolution shall be adopted by agreement between desirous parties of the same in accordance with the established process concerning the amendment of the company's Memorandum or Articles of Association. The said resolution shall be effective only after securing the approval of the competent authority as defined herein in conformity with the form to which the company was converted.

**Article 277**

Merger has to be according to the following procedures:

1. A resolution of dissolution to be issued by the merged company.

2. Evaluation of the net assets of the merged company according to the provisions of this Law concerning evaluation of contributions in kind.

3. The merging company shall issue a resolution increasing its capital in accordance with the evaluation result of the merged company.

4. The increase in the capital shall be distributed among the partners in the merged company pro rata to their shares.

5. In the event of the shares being represented by stocks and provided that two years have elapsed since the date of foundation of the merging company, the said stocks may be negotiable upon their issue.

**Article 278**

Consolidation shall be effected by resolutions issued respectively by each of the consolidated companies calling for dissolution and thereafter a new company shall be established in accordance with the provisions stipulated herein. If the new company is a joint-stock company, the experts' report on the evaluation of the contributions in kind shall be adopted without need for reference to the constituent Assembly.

**Article 279**

A number of stocks or shares shall be allocated to each amalgamated concern equal to its share in the capital of the new company. These shares shall be distributed between the partners in each amalgamated company pro rata to their shares therein.

**Article 280**

The amalgamation resolution shall become effective three months after it is entered in the Commercial Register. Within the said period the creditors of the amalgamated company may, by registered letter, submit an objection to the company against the amalgamation. The amalgamation process shall be suspended unless the creditors waive the
protest, or until the court dismisses it by a final decree, or the company settles the debt if matured or provide sufficient guarantees for its settlement if deferred.

In the absence of any objection during the above-mentioned period the amalgamation shall be deemed final and either the amalgamating company or the new company shall substitute the amalgamated companies in all their rights and obligations.

TITLE TEN

TERMINATION OF A COMPANY

CHAPTER ONE

DISSOLUTION OF A COMPANY

Article 281

A company shall be dissolved in any of the following cases:

1 - Expiry of the period fixed therefore in the Agreement or Statutes of Association unless renewed in accordance with the provisions included therein.

2 - Consummation of the purpose for which the company was established.

3 - Loss of all or most of the company's funds to an extent whereby the fruitful investment of the remnant is impossible.

4 - Amalgamation.

5 - Unanimous consent of the partners to terminate its duration unless the Agreement of Association provides that a specific majority is sufficient.

Article 282

The court may order the dissolution of any of the joint partnerships, sleeping partnerships or joint-ventures at the request of one of the partners therein if it deems that reasonable justification thereof exist. Any stipulation depriving a partner from exercising such right shall be null and void.

If the reasons justifying dissolution are attributed to actions by a partner, the court may order his expulsion from the company, and in this case the company shall remain in existence between the remaining partners. The partner's share shall be deducted when estimated in accordance with the last inventory or any other method deemed by the court suitable.

The court may also order the dissolution of the company at the request of a partner in the event of failure on the part of the other partner to fulfill his undertakings.

Article 283

In addition to the provisions of Article 281 above, joint partnerships, sleeping partnerships or joint-ventures shall be dissolved in any of the following events:

1 - Withdrawal of a partner, if the company is composed of two partners, provided that if such withdrawal was made in bad faith or at an inappropriate timing, the court may order the partner to stay in the company in addition to payment of damages indemnity, if necessary.

Except for serious reasons appreciated by the court, a partner may not request withdrawal from a company of specified duration.

2 - Death of a partner or the issuance of a judgment of interdiction, bankruptcy or insolvency against him. The Agreement of Association may, however, include a provision for the survival of the company with the heirs of the deceased partner, even if all or some of the heirs are minors. In the event of death of a joint-partner and the successor being a minor, the latter shall be deemed a silent partner to the extent of his predecessor's share. In the latter case the existence of the company shall depend on a court order to maintain the minor's assets in the company.

Article 284
If, in the Agreement of Association of a joint partnership, sleeping partnership or joint venture, there is no provision for the survival of the company in the event of withdrawal or death of a partner, issuance of a judgment of interdiction, bankruptcy or insolvency against him, the partners may, within sixty days from the occurrence of any of the above events, unanimously resolve to maintain the company between themselves. Such agreement may not, however, be invoked against third parties except as of the date of its entry in the Commercial Register.

In all cases where the company is maintained between the remaining partners, the share of the withdrawing partner shall be estimated on the basis of the last stocktaking unless the Association Agreement provide for any other evaluation method.

Neither the said partner nor his successors shall have any portion of the accrued entitlements of the company except if same entitlements arise from transactions carried out prior to his withdrawal from the company.

**Article 285**

If a joint-stock company sustains loss amounting to one half of the capital, the Board of Directors shall convene an Extra-Ordinary General Meeting in order to consider whether the company should be maintained or dissolved before the term fixed in its Articles of Association.

Should the Board fail to convene the Extra-Ordinary General Meeting or if the latter fail to adopt a resolution on the matter, any interested party may file a lawsuit asking for the dissolution of the company.

**Article 286**

Unless otherwise provided for in the company's Statutes, a partnership limited by shares shall be dissolved upon withdrawal or death of a joint partner who is entrusted with the management of the company or upon issuance of a judgment of interdiction or bankruptcy or insolvency against him. If there is no provision in the partnership's Statutes in this respect, the Extra-Ordinary General Meeting may resolve to maintain the company by following the established procedures concerning the amendment of the Statutes to this effect.

**Article 287**

Should all joint partners in a partnership limited by shares be involved in the withdrawal, death, interdiction, bankruptcy or insolvency, the company shall be dissolved, unless its Statutes provide for the possibility of transforming to another kind of company.

**Article 288**

A limited liability company shall not dissolve upon withdrawal or death of a partner or issuance a judgment of interdiction, bankruptcy or insolvency against him unless otherwise stipulated in the Partnership Agreement.

**Article 289**

If a limited liability company sustains losses amounting to one half of the capital, the Managers shall refer the matter of dissolution of the company to the General Assembly. The majority needed for the amendment of the Partnership Agreement is required to pass a resolution for dissolution of the partnership.

If the loss amounts to three quarters of the capital, the partners holding one quarter of the capital may request the dissolution of the company.

**Article 290**

To the exception of joint-ventures, publicity of the dissolution of a company shall, in all cases, be made by inserting same in the Commercial Register and publication, in two local Arabic dailies. Dissolution of a company may be invoked against third parties only from the date of publicizing it. The company Managers or the Chairman of the Board of Directors, as the case may be, shall pursue the execution of the above procedure.

**CHAPTER TWO**

**WINDING-UP AND PARTITION**
Article 291

Upon its dissolution, a company shall enter in the process of winding-up. Throughout the winding-up period, it shall maintain its corporate entity to the extent required for the completion of the winding-up formalities. The term "under liquidation" shall be conspicuously annexed to the name of the company.

Article 292

Upon the dissolution of the company, the powers of either the Managers or the Board of Directors shall cease. They shall, however, continue to assume the company's management, and with regard to third persons, they shall be deemed liquidators until a liquidator is appointed.

Throughout the period of winding-up, the company structures shall remain in function but their authority is restricted to liquidation affairs that do not fall within the liquidator's powers.

Article 293

For the winding-up of the company, the provisions of the Following Articles shall be complied with, unless a method for winding-up is provided for in the company's Memorandum or Articles of Association, or an agreement between the partner is reached in this respect upon dissolution.

Article 294

Winding-up shall be carried out by one or more liquidator(s) appointed by the partners, or by the General Assembly with the absolute majority vote required for passing the company's resolutions.

If winding-up is ordered by court decree, the court shall define the method to be followed and shall appoint the liquidator. In any case, the functions of the liquidator shall not end as a result of death of the partners or their bankruptcy, insolvency or interdiction, even if he was appointed by them.

Article 295

The liquidator shall publicize the decision appointing him as well as the partners agreement or the General Meeting resolution concerning the method of liquidation, or the court order related thereto, by effecting an entry in the Commercial Register.

Appointment of the liquidator, or the method of liquidation, may not be apposed to third parties, except after the date of entry in the Commercial Register.

The liquidator's remuneration shall be fixed in his letter of appointment, otherwise it shall be fixed by the court.

Article 296

Upon his appointment, and in coordination with the Managers or the Chairman of the Board or Directors, the liquidator shall carry out an inventory of the company's assets and obligations. The abovementioned shall provide the liquidator with their accounts, and deliver to him the company's assets, books and documents.

Article 297

The liquidator shall prepare a detailed list of the company's assets and obligations and a balance-sheet signed with him by the Managers of the company or the Chairman of its Board.

The liquidator shall keep a register to record the liquidation process.

Article 298

The liquidator shall take all necessary actions to ensure the safeguarding of the company's funds and rights, and shall, without delay, recover from third parties the amounts due by them and shall deposit the recovered amounts in a bank for the account of the company under liquidation upon collection.

Unless it is a winding-up requirement, and provided the partners are treated equally, the liquidator may not ask the partners to pay the remainder of their respective shares.
**Article 299**

The liquidator shall assume all functions required for winding-up purposes, particularly to represent the company before courts, settle the company's debts and sell its movable or immovable properties either by auction or in any other manner, unless a certain sale-procedure is fixed in the liquidator's appointment instrument. Except with the consent of the partners or the Ordinary General Meeting, the liquidator, may not sell the company's assets in one lot.

**Article 300**

Unless necessary for the completion of previous business transactions, it is not allowed for the liquidator to carry out new transactions. Should the liquidator undertake new business transactions not required for winding-up, he shall be held liable in all his assets, and in the event of several liquidators, all of them shall be jointly liable.

**Article 301**

Upon the dissolution of a company, all debts shall be due immediately and the liquidator shall notify all creditors, by registered mail, of the commencement of liquidation and shall invite them to submit their demands. Notice to this effect may be made by publication in two local Arabic dailies in the event of unknown creditors or if their places of residence are unknown. In all cases, the notice of liquidation shall grant the creditors a grace period of at least forty-five days from the date of such notice to submit of their claims.

**Article 302**

If the company assets fall short of settlement of all the debts, the liquidator shall effect the settlement pro rata to such debts without prejudice to the rights of preferred creditors.

Debts arising from the liquidation process shall, by preference to all other debts, be paid from the company funds.

**Article 303**

Should any creditor fail to submit his claim, his debt shall be deposited with the court treasury. Sufficient funds shall also be deposited for the settlement of disputed debts, unless the creditors concerned have obtained sufficient guarantees, or if it was decided to delay partition of the company's funds until settlement of the dispute with regard to the said debts.

**Article 304**

Should there be several liquidators, their actions shall be valid only by their unanimous approval, unless otherwise provided for in their appointment instrument. This condition shall not bind third parties except after it is entered in the Commercial Register.

**Article 305**

Actions taken by the liquidator and required by the winding-up process, and as long as they fall within his jurisdiction, shall be binding on the company, and the liquidator shall be held harmless of any liability arising directly from such actions.

**Article 306**

The liquidator shall complete his assignment within the period prescribed therein in his appointment instrument, and if such period is not fixed therein, each partner shall have the right to ask the court to fix the winding-up period.

Said period may not be extended except by resolution of the partners or the General Assembly, as the case may be, after taking cognizance of the liquidator's report, in which are stated the reasons which prevented the completion of the winding-up process in time. If such period is fixed by the court, it may not be extended except by order of the court.

**Article 307**

The liquidator shall submit to the partners or the General Assembly a provisional account on the liquidation-affairs every six months. He shall also provide the partner with any information or data they request with regard to the winding-up status.
Article 308

Company assets arising from the winding-up shall, after payment of the company's debts, be partitioned. Each partner shall, upon partition, receive an amount equal to the value of the share he contributed to the capital.

The remaining company's assets shall be distributed among the partners pro rata to their respective shares in the profit.

Article 309

If the net assets of the company do not suffice for payment in full of all the partners' shares, the loss shall be distributed among them at the rate fixed for the distribution of losses.

Article 310

Upon completion of the winding-up process, the liquidator shall submit to the partners or the General Assembly a final account of the winding-up process which shall be terminated upon the approval of the final account.

The liquidator shall publicize the completion of the winding-up by making an entry in the Commercial Register. Completion of the winding-up may be raised against third parties only from the date of its entry in the Commercial Register and the liquidator shall upon completion ask the deletion of the company's entry from the Commercial Register.

Article 311

The liquidator shall be liable towards the company if, during the period of winding-up, he has mis-conducted its affairs. He shall also be liable to damages for the prejudice sustained by third parties as a result of his faults.

Article 312

Removal of the liquidator shall be in the same manner whereby he was appointed, and any resolution or decree for his removal must appoint a substitute.

Removal of the liquidator shall be entered in the Commercial Register and may not be raised against third parties except from the date of publicizing it.

TITLE ELEVEN

FOREIGN COMPANIES

Article 313

Without prejudice to the special agreement entered into between the Federal Government or a local Government on the one hand, and certain companies on the other, the provisions hereof, to the exception of the provisions concerning the foundation of companies, shall apply to foreign companies that perform their main activities in the State or have their administration center therein.

Article 314

As amended by Federal Law no. 13 dated 26/12/1988:

Except for foreign companies operating under special licenses within duty-free areas in the State, foreign companies shall not perform their main activities or establish offices or branches in the State until permit to this effect be obtained from the Ministry after prior approval of the competent Authority in the concerned Emirate.

The issued permit shall specify the activity which a company is authorized to carry out. In order to obtain this permit, the company must, as a condition, have an agent from among the citizens of the State. Should the agent be a company it must have the nationality of the State and all partners therein must be citizens of the State. Moreover, the obligations of the Agent towards the company and third persons shall be limited to extending the necessary services to the company without
bearing any financial liabilities or obligations related to the company or its branches and offices inside or outside the State.

Foreign Companies licensed to operate within the State, under the preceding paragraph, shall not commence their business except after registration in the Foreign Companies Commercial Register kept with Ministry. Registration Formalities in the said Register as well as the criteria of preparing the accounts and balance-sheets of the branches of foreign companies shall be regulated by a ministerial decision to be issued in this respect.

The Foreign Company's office or branch in the State shall be considered their domicile as concerns its activities within the State. The activities of the said office or branch shall be directly governed by the law in force in the State.

**Article 315**

**As amended by Federal Law no. 13 dated 26/12/1988:**

Foreign companies their offices or their branches referred to in the preceding Article shall not commence their activities in the State except after entry in the Commercial Register.

They must have a separate balance-sheet, a separate profit and loss account and shall appoint an auditor.

**Article 316**

If a foreign company or its office or branch performs activities in the State before complying with the measures defined in the preceding Article, the persons who assumed such activity shall be jointly and severally liable.

**TITLE TWELVE**

**INADMISSIBILITY OF CLAIMS**

**Article 317**

In the event of denial or lack of lawful excuse after the lapse five years, claims against the liquidator arising from the winding-up operations and claims against the company managers, Directors, and/or control Board shall be inadmissible after the lapse of five years, unless a shorter period is prescribed by law.

The computation of the above period shall start as of the date of publicizing of the winding-up in the first instance and from the date of perpetrating the act generating liability, in the second case.

**TITLE THIRTEEN**

**INSPECTION OF COMPANIES**

**Article 318**

**As amended by Federal Law no. 13 dated 26/12/1988:**

The Ministry and the competent Authority, in reciprocal coordination between them, are entitled to control joint-stock companies and partnerships limited by shares to ascertain that they have complied with the provisions of this Law or the companies' Articles of Association. The Ministry and the authority concerned, together or separately at any moment, may further inspect the company through one or more inspectors and examine its accounts and ask for whatever data from the Board of Directors or the managers.

The Ministry or the competent authority may also request the dissolution of the company if it has been established or has carried out its activities in violation of the law. The competent Civil Court shall have jurisdiction to decide on such request.

**Article 319**

Partners who own at least one quarter of the capital in joint-stock companies may request the Ministry to inspect the company with regard to serious violations attributed to the Directors or the Auditors in the course of their duties set forth in this Law or in the company's Articles of
Association, whenever there are serious reasons indicating the perpetration of such violations.

The application must include evidence showing the applicants, seriousness to take such measures and that their application was not submitted for mischievous or defamatory purposes.

The application submitted by the partners must be accompanied by the shares owned by them and such shares shall remain in custody until final judgment is given.

After consultation with the competent Authority and hearing the applicants, the directors and the auditors in a private session, the Ministry may decide to inspect the company and its books and delegate one or more experts for this purpose at the expense of those who asked for the inspection.

**Article 320**

The Directors and employees must allow the inspectors to have access to all the books, documents and papers of the company as may be requested and submit to them the necessary information and explanations thereto.

**Article 321**

As amended by Federal Law no. 13 dated 26/12/1988:

If the Ministry discovers that what was attributed by the inspection applicants to the Directors or Auditors was incorrect, it may order publication of the inspection result in one of the local Arabic dailies and charge the inspection applicants with the expenses, without prejudice to their liability to pay damages, if sustainable.

If proven to the Ministry and the competent Authority that what was attributed to the Directors or the Auditors was correct, the Ministry shall, after consultation with the competent Authority, take urgent measures and convene a General Meeting instantly. In this event the Meeting shall be presided by a Ministry's representative named by the Minister, who holds as a minimum, the position of an Assistant Undersecretary.

The General Meeting may remove the Directors and institute liability action against them. Its resolution shall be valid if adopted by partners holding one half of the capital after deducting from the capital the share of the Director whose removal is under consideration. It may also demand the replacement of the Auditors and institute a liability action against them.

**TITLE FOURTEEN**

**PENALTIES**

**Article 322**

Without prejudice to a more severe punishment prescribed in any other law, shall be imprisoned for a minimum period of three months and a maximum of two years and/or fined a minimum of ten thousand Dirhams and a maximum of one hundred thousand Dirhams:

1 - Whoever willfully enters false information or details inconsistent with the provisions of this Law in the company's Memorandum or Articles of Association, in the publications for subscription in stocks and bonds or in any other company documents. The same provision applies to whoever knowingly signs or distributes any such documents.

2 - Every founder or manager who invites the public for subscription in stocks or shares of a limited liability company, and any one who offers such documents for the account of the company.

3 - Any one, who in bad faith evaluates contributions in kind submitted by the partners for more than their real value.

4 - Any manager or director who distributes dividends or interests to the partners or other persons in a manner in violation to the provisions of this Law or with the company's Memorandum or Articles of Association and any Auditor who, while knowing their inconsistency, had sanctioned such distribution.

5 - Any manager, director or liquidator who willfully enters false information in the balance sheet or the profit-and-loss account or who
willfully omits substantial facts from such documents with the intent to conceal the actual financial position of the company.

6 - Any auditor who deliberately makes a false report on the result of his auditing or who willfully conceals substantial fact in such report.

7 - Any manager, director, member of the control Board, consultant, expert, or auditor or an assistant or employee thereof and any person while in charge of inspecting the company divulges the company secrets which he obtains ex officio or utilizes the same for a personal interest or to the benefit of any other person.

8 -

As amended by Federal Law no. 13 dated 26/12/1988:

Any person appointed by the Ministry or the competent Authority to inspect a company, who willfully enters in his reports on the result of inspection process, false facts or willfully omits to enter in such reports substantial facts that may affect the result of the inspection.

Article 323

Without prejudice to a more severe punishment prescribed in any other law, shall be punished with a fine of not less that ten thousand Dirhams and not more than one hundred thousand Dirhams:

1 - Any one who disposes of shares in manner inconsistent with the provisions established by this Law.

2 - Any one who issues shares, subscription receipts, temporary certificates or stocks or who offers the same for negotiation in violation to the provisions of this Law.

3 - Any one who appoints a director or an auditor in a joint-stock company and any one who obtains a guarantee or loan therefrom in violation to the restriction provisions contained herein and the same applies to any Chairman of the Board of Directors of a company wherein any such violation occurs.

4 - Any company who violates the provisions concerning the established quota of shares to be held by State citizens in the company's capital the quota of citizens in the Board of Directors and every manager or chairman therein.

5 - Anyone who purposely obstructs access to the company's books and documents by the auditors or the officers delegated by the Ministry or the local Authority in charge of inspection of the company, or one who refrains from submitting information and explanation required by them.

6 - Any company who violates the provisions of this Law or the regulations in implementation thereof and any founder, Director or Chairman of the Board therein.

Article 324

Criminal liability with regard to the violations prescribed in this Chapter committed by a company shall be addressed against the legal representative of the company.

TITLE FIFTEEN

CLOSING PROVISIONS

Article 325


Article 326

As amended by Federal Law no. 13 dated 26/12/1988 and Federal Law no. 4 dated 22/12/1990:

After coordination with the competent authorities in the Emirates, the Minister shall issue the Executive Regulations necessary for the implementation of this Law.

Furthermore, a Cabinet decision shall determine the fees due for the publication of the commercial companies' official documents in the
Register or for the publications set up by the Ministry and any amendment brought thereto; as well as the fees for the licensing of branch offices of foreign companies or for their registration in the Foreign Companies' Register, along with any amendments that may occur to such companies' data. This applies in the cases where the provisions of this Law require such registration, licensing or renewal, provided that the fees may not exceed the sum of Dhs. 10,000 (Ten Thousand Dirhams).

Article 327

As amended by Federal Law no. 13 dated 26/12/1988:

Employers delegated by the Minister or the competent Authority, as the case may be, shall have the status of juridical police in establishing the crimes in violation to the provisions of this Law and its implementing decisions. They shall have the right of access to all the company's books, registers and documents. The company's responsible officers shall provide the abovementioned employees with all the information, data and documents they might request for the performance of their assignment.

Article 328

Any provision violating the provisions of this Law is hereby abrogated.

Article 329

As amended by Federal Decree Law no. 1 dated 26/6/1984:

This Law shall be published in the Official Gazette and shall become effective as of the first of January 1985.

Promulgated by
Us at the Presidential Place in Abu Dhabi.

On 17 Jumada al-Akher 1404 H.

Corresponding to 20 March, 1984.

Zayed Bin Sultan Al Nahyan
President of the United Arab Emirates State

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