Commercial Code

Of the Federal Democratic Republic of Ethiopia

(Draft)

Proclamation No. ------/2020

The Commercial Code of the Federal Democratic Republic of Ethiopia

PREFACE

Laying a firm legal foundation for the conduct of commercial activities is a prerequisite for ensuring economic development and public benefit. The Commercial Code issued in 1952 was fit for purpose at the time of its issuance. In fact, it was way ahead of the stage of development in Ethiopia during that era.

Many things have, however, changed in the six decades since its issuance. Commerce and the flow of capital have not only grown significantly but have also taken increasingly transnational nature. This has put the law to the test, particularly, since 1991 as Ethiopia started to pursue market-led economic system. Gaps and insufficiencies have, thus, surfaced. Besides, it transpired that the code contains several provisions that are difficult to implement and open to various interpretations. In short, it has proved to be inadequate for the level of economic activity in Ethiopia today, much less the requirements of the decades ahead.

Revising the law to strike the right balance between the interests of investors, traders and other stakeholders that are directly affected by it has been found to be necessary in order to bolster commerce and improve the standard of living of citizens. Ensuring the global competitiveness of Ethiopia too requires modernizing the Commercial Code.

It has, therefore, been promulgated pursuant to Article 55(4) of the Constitution of the Federal Democratic Republic of Ethiopia as follows:-

1. **Short Title**

   This Proclamation may be cited as the «Commercial Code of Ethiopia Proclamation No. ----/2020. »

2. **Repealed and Inapplicable Laws**

   1) Books one, two and three of the Commercial Code Proclamation No. 166/1960 are hereby repealed.
   2) No proclamation, regulation, directive or customary practice that is inconisistent with this Proclamation shall have any effect with respect to matters covered by this Proclamation.

3. **Transitory Provisions**

1) Matters pedning before a court or quasi-judicial organ before the effective date of this law shall continue to be goverened by the law in force before the coming into force of this Proclamation.
2) Decisions rendered before the effective date of this law based on laws that are repealed by Article 2 of this Code shall remain in force.
3) The provisions of Books Three and Four of the Commercial Code Proclamation No. 166/1960 shall continue to apply pending the issuance of financial services code subject to any clear contrary stipulations in other laws.

4. **Power to Issue Regulations**

The Council of Ministers may issue regulations necessary for the implementation of this Proclamation.

5. **Power to Issue Directives**

The Ministry of Trade and Industry may issue directives necessary for the proper implementation of this Proclamation and Regulations issued under Article 4 above.

6. **Ammendment of the Proclamation**

Any proposal to amend this Proclamation shall, after proper consultation with peritnent bodies, be submitted to the Council of ministers by the Office of the Attonrey General.

7. **Effective Date**

This proclamation shall come into effect on the date of its publication in the Federal Negarit Gazette.

DONE IN ADDIS ABABA ON THE _____ DAY OF _____ 2020.

SAHLEWORK ZEWDIE

PRESIDENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA.

Book I. Traders, Trade and Businesses

Title I. General Provisions Applicable to Traders

Chapter I. Provisions Applying to Persons Carrying on a Trade

Art.1. —Applicability of the Civil Code

Unless otherwise provided in this Code, the provisions of the Civil Code shall apply to persons and business organizations carrying on a trade.

Art.2. ___ Applicability of the Maritime Code

The relevant provisions of the Maritime Code shall apply to persons and business organizations carrying on maritime trade.

Art.3. Sole Traders and business organizations

The provisions of this Code applicable to sole traders other than those provisions applicable to physical persons only shall apply to business organizations. Nothing shall affect the special provisions of Book II and III that apply to business organizations.

Art.4. Institutions not governed by this Law

(1) Unless otherwise expressly provided by law, the provisions of this Code shall not apply to bodies corporate under public law, namely administrative bodies, and religious institutions, civil society organizations and cooperative societies even where they carry on activities under Art.5.

(2) The provisions of sub-art. (1) shall not apply to public enterprises established by law.

Chapter 2. Traders

Art. 5. — Persons to be regarded as traders

Persons who professionally and for gain carry on, among others, any of the following activities as trade shall be deemed to be traders:

(1) Purchase of movables or immovable with a view to re-selling them either as they are or after alteration or adaptation in retail or wholesale in a domestic or foreign market;

(2) Purchase of movables or immovable with a view to letting them for hire;

(3) Agricultural and forestry development for commercial purposes on land lawfully given to a right holder;

(4) Animal husbandry and production of animal products beyond small-scale levels excluding persons entitled to use rural land;

(5) Fishing and fish farming beyond small-scale levels;

(6) Warehousing activities in accordance with the Civil Code or other relevant laws;

(7) Minining activities not performed by handicraftsmen, exploration,drilling and production of feul oil or gas and related activities;

(8) Exploitation of quarries not by handicraftsmen for buildings, road or other construction works;

(9) Exploitation of salt pans not by handicraftsmen;

(10) Production, conversation, adaptation and maintenance of chattels, such as foodstuffs, raw materials or semi-finished products not by handicraftsmen;

(11) Building, maintaining and cleaning of houses, buildings, roads and any other construction works and parts of such construction works not by handicraftsmen;

(12) Embanking, leveling, trenching or draining carried out on an immovable property of a third party not by handicraftsmen;

(13) Carriage of goods or persons including through postal services not by handicraftsmen;

(14) Capturing and supplying water in different ways;

(15) Transporting, disposing or recycling of waste including solid waste not by handicraftsmen;

(16) Producing, distributing and supplying electricity, gas, compressed air including heating and cooling services;

(17) Repairing, washing and cleaning of movable and immovable things not by handicraftsmen;

(18) Publishing in whatever form, and in particular by means of printing as well as sound and video recording by any method;

(19) Publishing of works through paper printing, phtographs, audio and audiovisual records or television, radio, internet or any other means;

(20) Organizing public entertainment events and operating playing and entertainment places for the public use;

(21) Operating tradefairs and related activties;

(22) Broadcasting programs by establishing radio and television stations;

(23) Operating news and any information transmission services;

(24) Operating communication services through wire or wireless means as well as using satellite and internet technology;

(25) Organizing, providing or storing of information by using computer and software technologies and supplying it to the public through the internet and provision of space and computer for customers to access the information;

(26) Operating services identified, by law or custom, as banking, insurance and financial services and related and supporting services;

(27) Operating hotels, restaurants and food catering services, cafes, bars, clubs and other similar services;

(28) Organizing and coordinating meetings and events on behalf of others;

(29) Operating travel agencies and coordinating travels;

(30) Operating beauty, fitness and hairdressing establishments, as well as all kinds of health fitness services including any kind of physiotherapy and massage services;

(31) Providing skill or knowledge related services using scintific, technical and professional knowledged acquired through practice or education beyond small scale levels;

(32) Operating organized human and animal health services and providing consultation, follow up, and care services for maintaining health and prevention not by handicraftsmen;

(33) Operating organized educational services and knowledge transfer and dissemination services not by handicraftsmen;

(34) Operating business as a commercial agent, commission agent, commercial broker, stock broker and any kind of agency;

(35) Operating property or security services not by handicraftsmen;

(36) Operating any office support services including documentation and duplication services not by handicraftsmen;

(37) Operating funeral and related services.

Art. 6. — Small-scale works.

(1) Persons who undertake activities under sub-articles (4), (5), (32), (33), (34), (36), and (37) of article 5 in small-scale shall not be deemed to be traders.

(2) A person not a handicraftsman shall be deemed to work at a small-scale level when he works alone or with the assistance of members of his family or not more than three employees or apprentices and who buy such material as is necessary for carrying out his activities, without setting up stocks using his experiences and knowledge acquired through education or both.

(3) Small scale works are subject to the provision of any relevant special law.

Art. 7. — Handicraftsmen.

(1) The provisions of this Code relating to traders shall not apply to handicraftsmen.

(2) Handicraftsmen are persons with a handcraftsmanship knowledge, who alone or with the assistance of members of their family and not more than three employees or apprentices and who buy such material as is necessary for carrying out their activities, without setting up stocks and makes a living only from the handcraftsmanship.

(3) Handicraftsmen may in most cases use their hands and may also use small machinery.

(4) Handicraftsmen are subject to the provision of any relevant special law.

Art. 8. — Agricultural and forestry undertakings.

Except in cases provided for under sub-articles (4) and (5) of article 5:

(1) Persons, who carry on activities relating to agriculture, forestry, cattle breeding or maintaining pasture land, shall not be deemed to be traders where they sell the products of the land they exploit or use, or animals or the products of animals bred mainly from the resources of the land which the said persons exploit or use.

(2) Such persons shall not be deemed to be traders whether the exploitation is individual or collective, such as an agricultural community or cooperatives.

Art. 9. –Business organizations.

(1) Business organizations shall be deemed to be of a commercial nature where their objects under the memorandum of association or in fact are to carry on any of the activities specified in Art.5 of this Code.

(2) Share companies and private limited companies shall always be deemed to be of a commercial nature whatever their objects.

Chapter 3. Persons Capable of Carrying on a Trade

Art. 10. — Incapable persons.

(1) Persons incapable under the relevant law may not carry on any trade.

(2) Where incapable persons carry on a trade, they shall not, subject to the provisions of Art.12 and 13, acquire the status of traders and their acts may be invalidated in accordance with law.

Art. 11. — Tutors.

Tutors may not carry on a trade in the name and on behalf of a minor except in the cases provided in the relevant law. The same provisions shall apply to tutors of an interdicted person.

Art. 12. — Emancipated Minors:

Minors emancipated in accordance with the relevant law may carry on a trade.

Art. 13. — Effect of minority in relation to third parties.

Notwithstanding any provisions to the contrary, where a minor who carries on a trade has caused himself to be entered in the commercial register as though he were of age, his being a minor shall not affect third parties, in accordance with Art. 103 of this Code.

Art. 14. — Publication of interdiction.

The interdiction of a person shall not affect third parties unless notice of such interdiction has been entered in the commercial register in accordance with Art. 103 of this Code.

Chapter 4. Carrying on a Trade by Married Persons

Art. 15. — Right of married persons to carry on trade.

Any married person may carry on a trade as though he were unmarried unless his spouse objects thereto.

Art. 16. — Notification of objection

(1) As between spouses an objection under Art. 15 may be notified to the trading spouse in any manner.

(2) An objection under Art. 15 shall not affect third parties, in accordance with Art. 103 of this Code, unless notice of such objection has been entered in the commercial register.

Art. 17. — Setting aside of objection.

(1) Where the trading spouse is of the opinion that the objection is not justified, having regard to the interest of the family, he may apply to the family arbitrators to set aside the objection.

(2) Where the objection is set aside by the arbitrators, a notice to this effect shall be entered in the commercial register by the spouse for whom the objection was set aside.

Art. 18. — Debts contracted by the trading spouse.

Debts contracted by the trading spouse shall be deemed to be debts of the marriage and may be recovered on the personal estate of each spouse and on common property.

Art. 19. — Effect of objection.

Where an objection under Art. 15 has been entered in the commercial register, debts contracted by the trading spouse may be recovered on his personal estate only.

Art. 20. — **Cooperation of spouses.**

Where spouses carry on a trade in cooperation, the debt incurred by the trader spouse shall be deemed to be a matrimonial debt that is recoverable from the common property of the spouses and the private property of each spouse unless it is shown that one of them is the employee of the other.

Chapter 5. Right to Act as a Trader

Art. 21. — Freedom to carry on trade.

Subject to such prohibitions or lawful restrictions regarding unfair competition as may be prescribed, any person or business organization has the right to carry on any trade in accordance with the provisions regulating such trade.

Art. 22. — Legal prohibitions or restrictions.

(1) Particular persons may be restricted or prevented from acting as traders or from carrying on a particular trade by legal provisions setting up prohibitions or incompatibilities.

(2) Specific requirements as to age, qualifications, sex, nationality or license may be imposed by law in respect of particular trades.

Art. 23. — Effect of prohibitions and restrictions

(1) Persons who carry on a trade subject to prohibition or restriction or without having the prescribed qualifications shall be liable to the penalties provided by law.

(2) Persons who carry on a trade subject to prohibition or restriction may not invoke the said prohibition or restriction to free themselves from liabilities incurred in carrying on a trade subject to prohibition or restriction. They may not hold themselves out to be traders to third parties but they shall be liable as though they were traders.

Art. 24. — Civic associations.

A law may determine the conditions on which nonprofit civic organizations may carry on trade and the consequences thereof.

Art. 25. — Business organizations.

No business organization shall carry on a trade which it is not permitted to carry on or which is subject to specific requirements with which the said business organization has not complied.

Art. 26. — **Associations (organizations) with legal personality under public law.**

The cases where a trade may be carried on by administrative or religious institutions or any other public undertakings or nonprofit associations and the conditions and effect of such trade shall be prescribed.

TITLE II. AUXILIARIES AND AGENTS

Chapter 1. Commercial Employees

Art. 27. — Definition.

1) Commercial employees are persons who are bound to a trader by a contract of employment and who assist the trader by doing work of a non- manual nature as a salesman, secretary, accountant, guardian, inspector or director.
2) Commercial employees are not traders.

Art. 28. — Law applicable to employment contract.

Without prejudice to the provisions of this Code, the provisions of the Civil Code relating to contracts of employment and labor laws shall apply to commercial employees.

Art. 29. — Prohibition from carrying on private trade

1) A commercial employee may not carry on, on his own behalf or on behalf of a third party, a trade similar to the trade carried on by his employer.

2) Where an employee infringes the prohibition under sub-art (1), his employer may claim damages and the infringement will be a sufficient cause to cancel or refuse to renew the contract of employment.
3) A contract of employment may only contain a prohibition from carrying on private trade upon the expiry of the contract of employment on the conditions specified in Art. 2589, 2590 and 2592 of the Civil Code and with the trader agreeing to pay compensation for the employee.

Art. 30. — Agents

1) Commercial employees may act as agents by express or tacit agreement.
2) The revocation of the power of agency shall not result in the cancellation of the contract of employment.

Art. 31. — Powers of employee in charge of sales.

1) The employee in charge of the sales in a store shall be deemed to have a power of agency for the purpose of selling or receiving goods which come within the normal business activities of stores of such nature.
2) He may demand that goods sold by him be paid to him, unless payment is to be made to a special account.
3) The employee may not demand payment outside the store unless so expressly authorized or unless he produces a receipt signed by the trader.

Chapter 2. Managers

Art. 32. — Definition.

1) A manager is a person who has been authorized, expressly or tacitly, to carry out acts of management and to sign in the name of the trader.
2) A manager is not a trader.

Art. 33. — Publicity.

1) Where a manger has been appointed, the trader shall cause an entry to be made in the commercial register.
2) The manager shall have power to act by virtue of his appointment, notwithstanding that the provisions of sub-art. (1) have not been complied with.

Art. 34. — Powers of manager.

1) In his relations with third parties, the manager shall be deemed to have full power to carry out all acts of management connected with the exercise of the trade, including the power to sign contracts and negotiable instruments.
2) Unless expressly authorized to do so, he may not sell or pledge immovable property, nor may he sell , hire or pledge a business.

Art. 35. — Restriction on powers.

1) The powers of a manager may be limited to the management of a branch. Such a restriction shall not affect third parties in accordance with Art. 103 of this Code unless notice of such restriction has been entered in the commercial register.
2) Restrictions other than those stated under sub-art (1) of this article shall not affect third parties.

Chapter 3. Commercial Travelers and Representatives

Art. 36. — Commercial travelers.

(1) A commercial traveler is a person, domiciled at the place where the head office of the business is situate and bound to a trader by a contract of employment, who is entrusted by the trader with visiting clients and offering to them goods or services in the name and on behalf of the trader.
(2) Unless otherwise agreed, contracts entered into by a commercial traveler shall be presented to the trader for his confirmation.
(3) Commercial travelers are not traders.
(4) Without prejudice to the provisions of this Code commercial travelers domiciled in foreign countries shall be determined by relevant law.

Art. 37. — Commercial representatives.

(1) A commercial representative is a person, not domiciled at the place where the head office of the business is situate and bound to a trader by a contract of employment, who is entrusted by the trader with promoting his goods and services, conducting market survey and carrying out similar tasks that support the expansion of the trader's business.
(2) Commercial representatives are not traders.

(3) Without prejudice to the provisions of this Code detailed rules applicable to commercial representatives of foreign traders shall be determined by law.

Art. 38. — Private business.

(1) Unless otherwise provided in the contract of employment, commercial travelers and representatives may not carry on private business on their behalf and on behalf of third parties. Where they carry on private business, they shall lose their compensation as provided in art. 40 and 41 of this Code.

(2) The provisions of Art. 29(2) of this Code shall apply where commercial travelers and representatives have not been authorized to carry on private business.

Art. 39. — Acting on behalf of other traders.

(1) Unless otherwise agreed, commercial travelers and representatives may not act on behalf of traders other than the trader to whom they are bound. Where they act on behalf of other traders, they shall lose their compensation as provided in Art. 40 and 41 of this Code.

(2) In no case may they act on behalf of a trader selling goods or offering services similar to the goods sold services offered by the trader to whom they are bound.

Art. 40. — Remuneration.

(1) Commercial travelers and representatives shall be paid by salary or on commission or both.

(2) The remuneration shall be fixed by the contract of employment or, where not fixed, by custom.

Art. 41. — Compensation in case of termination of contract.

(1) Where the trader terminates the contract without good cause, commercial travelers and representatives who are bound by a contract entered into for an undefined period of time shall be entitled to fair compensation fixed in accordance with the relevant law.

(2) Where a contract entered into for an undefined or defined period of time is terminated by the trader for no fault attributable to the commercial traveler or representative, the commercial traveler or representative shall receive fair compensation which shall be

fixed having regard, in particular, to the time for which he acted on behalf of the principal and to the customers introduced or goodwill created or extended by him.

Chapter 4. Commercial Agents

Art. 42. — Definition.

(1) A commercial agent is a person or business organization, not bound to a trader by a contract of employment and carrying out independent activities or to certain customers of the trader, who is entrusted by a trader with representing him permanently in a specified area and dealing or making agreement in the name and on behalf of the trader.

(2) Unless otherwise provided in the agency agreement, contracts entered into by a commercial agent shall become effective without confirmation by the trader.

(3) A commercial agent normally acts as agent and may act as broker. He is a trader.

Art. 43. — Commercial agent as an exclusive agent.

Unless otherwise provided in the agency agreement, a commercial agent shall be the exclusive agent of the principal in the area specified in the agreement.

Art. 44. — Duties of commercial agent.

(1) A commercial agent shall safeguard the principal's interests with the care due by a good trader.

(2) He shall:

(a) carry out all instructions of the principal;

(b) inform the principal of all contracts negotiated or entered into by him;

(c) send to the principal periodical reports on his activities and all such information as may be required on the state of affairs with in the area where he acts.

(3) Where the agency agreement comes to an end, a commercial agent may not take advantage of or disclose trade secrets revealed to him by the principal or of which he learned in the course of his duties as an agent.

Art.45. — Prohibition from carrying on similar private trade.

(1) A commercial agent may carry on any private trade which is not similar to the trade carried on by the principal. The agency agreement may be cancelled and damages may be due where the agent carries on trade similar to the trade carried on by the principal.

(2) Unless otherwise provided in the agency agreement, a commercial agent may act in the area specified in the agreement on behalf of other traders who work in areas not similar to the trade carried on by the principal.

(3) In no case may a commercial agent act, in the area specified in the agency agreement, on behalf of traders who carry on trade similar to the trade carried on by the principal. The agency agreement may be cancelled and damages may be due where the agent disregards this prohibition.

Art.46. — Duties of principal.

The principal shall, to the best of his ability, enable his agent to carry out successfully his duties under the agency agreement, in particular by making all necessary information and samples available to him.

Art.47. — Repayment of expenses.

Unless otherwise agreed, current costs and expenses of the agency shall be borne by the commercial agent and are not subject to repayment by the principal. The agent shall only be entitled to the repayment of expenses occasioned by dealings made on behalf of the principal and of such special expenses as were made by him on the order of the principal.

Art.48. — Remuneration.

(1) A commercial agent shall receive remuneration for all dealings negotiated or made by him. Unless otherwise provided, he shall receive remuneration for all dealings made, in the area where he acts, either by the principal himself or by another agent of the principal.

(2) A commercial agent shall receive remuneration even where dealings made by him are not carried out by the principal. However, the agent shall lose his right to remuneration when dealings were not carried out by the principal because of the agent's fault.

(3) The remuneration shall be fixed in the agency agreement or, where not fixed, by custom.

Art.49. — Agent personally to carry out his duties.

A commercial agent may not assign the agency agreement and may not substitute a third party for himself, as an agency agreement is made on the basis of the personal qualifications of the agent.

Art.50. — Termination of agency agreement.

(1) An agency agreement shall terminate:

(a) where the period of time for which it was entered into expires;

(b) where the agent, being person, dies, becomes incapable or is declared bankrupt;

(c) where the business organization acting as agent is wound-up.

(2) Either party to an agency agreement made for an undefined period of time may terminate it on notice. Notice need not be given where there is good cause for termination.

(3) The period of notice shall be fixed in the agency agreement or, where not fixed, by custom. It shall not be less than one month during the first year of service and not less than two months after the first year.

Art.51. — Compensation due in case of termination.

Where the principal terminates without good cause an agency agreement entered into for an undefined period of time, the agent shall receive fair compensation which shall be fixed having regard in particular to the time for which he acted on behalf of the principal and to the customers introduced or goodwill created or extended by him.

Art.52. — Uncompleted business upon termination.

(1) Where an agency agreement terminates, the agent or his heirs or the business organization having acted as agent shall receive remuneration for all contracts negotiated or entered into prior to the termination of the agreement.

(2) Upon termination of the agreement, all remunerations and expenses due shall be paid forthwith by the principal.

Art.53. ——— Prohibition from carrying on similar private trade on termination of the agreement.

(1) The agency agreement may provide that, upon termination of the agreement, the commercial agent shall not carry on the same trade as the principal or act as commercial agent or representative for a trader carrying on the same trade as the principal.

(2) Notwithstanding any provision to the contrary, any such prohibition shall not be effective for more than five years.

Chapter 5. Commercial Brokers

Art.54. — Definition.

(1) A commercial broker is a person or business organization who, independently, professionally and for gain, brings parties together for the purpose of their entering into an agreement such as a contract of sale, lease, insurance or carriage.

(2) A commercial broker is a trader, regardless of the parties he brings together and of the nature and object of the contract for the completion of which he acts as an intermediary.

(3) Unless specifically stated in the contract between the two parties, a commercial broker shall not receive remuneration on behalf of the parties or undertake any activity towards implementation of the contract between the two parties.

Art.55. — Notice of parties.

(1) Unless customary or otherwise agreed, a commercial broker shall, where the parties have agreed to enter into a contract, inform both parties of the terms of the proposed contract.

(2) Unless customary or otherwise agreed, the proposed contract shall not become effective unless it is confirmed by both parties.

Art.56. — Liability of broker.

A commercial broker shall be liable for any damage he causes to either party.

Art.57. — Remuneration.

(1) A commercial broker shall receive remuneration when the contract for the completion of which he acted as an intermediary is entered into, whether such contract is performed or not.

(2) Unless customary or otherwise agreed, the remuneration shall be paid only by the party having required the services of the broker.

(3) The remuneration shall be fixed in the agreement or, where not fixed, by custom. The court may reduce the agreed remuneration where it appears excessive and disproportion to the services rendered by the broker.

(4) A commercial broker shall lose his right to claim remuneration when he works for the benefit of a third contracting party in a manner contrary to his obligation towards his client and in particular in a manner prejudicial to the interests of his client or when he received payments from a third contracting party without the knowledge of his client.

Chapter 6. Commission Agents

Art.58. — Definition.

(1) A commission agent is a person or business organization who, independently, professionally and for gain, undertakes to buy or to sell in his name, but on behalf of the principal, goods, movables or any other thing of a similar nature, or to enter in his name but on behalf of the principal into a contract of carriage of goods.

(2) A commission agent is a trader, regardless of the parties and of the nature and object of the contract.

Art.59. — Civil Code applicable.

The provisions of Art. 2234-2252 of the Civil Code shall apply to contracts of Commission.

Art.60. — Stock brokers.

(1) Stock brokers are commission agents.

(2) Unless otherwise provided by law, they shall be subject to the provisions relating to contracts of commission.

TITLE III. ACCOUNTS

Chapter 1. General Provisions

Art.61. — Keeping of Accounts Compulsory.

Any person or business organization carrying on trade shall keep such books and accounts as are required in accordance with business practice and regulations, having regard to the nature and importance of the trade carried on.

Art.62. — Petty traders.

(1) Petty traders shall be exempted from keeping accounts.

(2) The manner in which petty traders carry on trade and amount of capital needed for such trade shall be prescribed by law.

Art.63. — Books and accounts to be kept by traders.

The books and accounts to be kept by traders and the manner in which they are to be kept shall be prescribed by law.

Art.64. — Special rules applicable to business organizations.

Nothing in this Title shall affect the special provisions of Book II of this Code applicable to business organizations.

Art.65. — Keeping accounts in modern technologies.

(1) Traders may keep their general account activities in modern technologies.

(2) The accounts to be kept in accordance with sub-art (1) of this article shall include the formalities applicable to accounts or balance sheets kept manually.

(3) The trader may use accounts kept in modern technology as evidence in a manner similar to accounts kept manually.

Art.66. — Preservation of books.

All books and accounting documents shall be preserved for ten years from the date of the last entry or from the date of such documents.

Art.67. — Outgoing and incoming correspondences.

Originals of all letters, message or telegrams received and copies of all letters, messages or telegrams sent shall be filed and preserved for ten years.

Chapter 2. Book and Accounts as Evidence

Art.68. — Evidence in favor of party keeping books.

Where a dispute arises between traders as to their commercial activities, the court may, notwithstanding the provisions of Art. 2016 of the Civil Code, admit as evidence in favor of a party books and accounts which have been kept by such party according to the provisions of the preceding Articles.

Art.69. — Evidence against party keeping books.

(1) Books shall prove against the party producing them.

(2) A party who avails himself of books may not conceal any part of such books that may contradict his claim.

TITLE IV. THE COMMERCIAL REGISTER

Chapter 1. Establishment of the Commercial Register

Art.70. — Federal commercial register.

(1) The Ministry of Trade and Industry shall establish and administer Federal Commercial Register with nation-wide application.

(2) The Ministry shall undertake registration of traders and business organizations in accordance with this Code.

(3) Notwithstanding the provisions of sub-article (2) of this Article and without prejudice to the provisions of Article 71 of this Code on regional commercial registers, the Ministry may partially delegate its responsibilities related to commercial register to another federal institution.

Art.71. — Regional commercial registers.

(1) Notwithstanding the provisions of sub-article (1) and sub-article (2) of Article 70 of this Code, Regions and Addis Ababa and Dire Dawa Administrations may establish their own commercial register and undertake commercial registration.

(2) The administration of the regional commercial registers to be established under sub-article (1) of this Article, designation of the authority in charge of registration and its duties and responsibilities shall be determined by laws to be issued by the Regions.

(3) Notwithstanding the provisions of sub-article (2) of this Article, any regional institution in charge of commercial registration shall undertake the registration by strictly following the provisions of Title IV of this Code.

Art.72. — Central commercial registration database.

(1) Ministry of Trade shall establish and administer a central commercial registration database with national application.

(2) The database shall be organized with the support of modern information technology and be open and accessible to the public through the Ministry's website.

(3) The Ministry, in addition, shall:

(a) enter or register in the database documents in relation to any person registered in the different registers in the Regions;

(b) register in the database letters, documents and notices in relation to business organizations stated under Book Two of this Code; and

(c) follow up and ensure implementation of laws and regulations on commercial registers.

Art.73. — Publicity

(1) Publicity through the commercial register shall be effected, with regard to persons, by the entry of declarations made by such persons before the authorities responsible for registration. Entries in the commercial register shall have effect as from the working day following the day when, the entry was made.

(2) The provisions of Book II of this Code shall apply to entries of declarations made by business organizations.

Art.74. — Liability.

The office in charge of commercial registers shall be liable for any damage caused by employees jointly with such employees.

Art.75. — Register open to the public.

(1) The commercial register shall be open to the public. Any person may, upon payment of the required fee, have a look at the information entered in the register, or ask the appropriate registering office to deliver to him a copy of any extract from the register or, where there is no entry for which he is searching, a certificate to the effect that there is no entry.

(2) The registering office has the obligation to provide the required service.

Art.76. — Particulars on business papers.

All registered traders shall specify on all papers used in their business the place in which they are registered and their registration number.

Art.77. — Transmitting information and documents to the central database.

Any federal or regional institution that has undertaken commercial registration pursuant to this Code shall immediately transmit the information and documents to the Ministry of Trade and Industry. The Ministry shall enter forthwith the data into the central commercial registration database. .

Chapter 2. Entries in the Commercial Register

Section 1. General Provisions

Art.78. — Entries.

Entries in the commercial register shall consist of all principal, subsidiary or complementary registrations, and of all alterations and deletions.

Art.79. — Manner of making entries.

(1) Entries shall be made upon a written statement made by the person seeking registration.

(2) Entries and written statements may be carried out through a website created for the purpose of commercial registration and administered by the registering office.

(3) Entries may be cancelled as provided in Art. 96 of this Code.

Art.80. — Accuracy of Statements.

(1) The official in charge of the register shall verify the accuracy of the statement made by the person applying for registration. Where, a person applies to be registered as a trader, the official shall ascertain whether the applicant fulfils the legal requirements for carrying on the trade in respect of which registration is sought.

(2) The official shall check all documentary evidence supporting the statement and the conformity of the statement to such evidence.

(3) The official may require the applicant to produce such further documents or information as may be necessary.

Art.81. — Disputes between applicant and official.

Any disputes arising between the applicant and the official in charge of the register shall be resolved by the competent court.

Section 2. Registration

Art.82. — Persons to be registered.

(1) Without prejudice to the provisions of other laws requiring the registration of other persons or entities any Ethiopian or foreign person or business organization carrying on commercial activities within the territory of Ethiopia shall be registered.

(2) The provisions of sub-art. (1) shall apply in particular:

(a) to any Ethiopian or foreign person who is a trader within the meaning of Art. 5 of this Code;

(b) to any business organization within the meaning of Art. 9 of this Code;

(c) to any foreign public undertaking carrying out commercial activities and to any commercial representatives or agents of foreign States, public institutions or undertakings.

(3) Special regulations applicable to undertakings under sub-art. (2) (c) shall be prescribed.

Art.83. — Application for registration compulsory.

(1) A person shall not be registered as a trader unless an application to this effect is made by the said person or his attorney.

(2) A trader shall make his application and get registered before he began to carry on his trade.

(3) The application may be made through a website administered and controlled by the registering body as provided for under Article 79 (2) of this Code.

Art.84. — Cancellation of registration of former trader.

Where an existing business is sold or let out for hire, the purchaser or lessee shall not be registered for so long as the registration of the former trader has not been cancelled in the register.

Art.85. — Place of Registration.

(1) The application for registration shall be made at the registry within whose jurisdiction the person seeking registration has his head office. The trader shall have the right to determine the address of his head office for his trade.

(2) Unless otherwise prescribed by law where the head office of a trader or a business organization is abroad, the registration shall be carried out by the registry within whose jurisdiction the principal branch or agency is situate.

Art.86. — Summary registration.

(1) No trader or business organization shall be principally registered in more than one local register even if he carries on trade in different Regions nor shall he be registered under more than one registration number in one register.

(2) Where a trader carries on a trade or is in charge of business or agencies at Regions other than the place where he is principally registered, he shall make an application to be summarily registered in those Regions and a reference shall be made to the principal place of registration.

Art.87. — Particulars in respect of principal registration

Where a trader makes an application for principal registration, he shall state:

(a) his name;

(b) his date and place of birth;

(c) his nationality;

(d) his private address;

(e) where he is a minor, the date on which he was authorized to carry on trade by his guardian;

(f) where he is married, the place and date of the marriage and whether or not a marriage settlement was made and the date and the place where or person with whom such settlement was deposited, if any;

(g) the objects of the trade;

(h) Whether he created the business or acquired or leased it and in the latter cases, the name of the former trader and all necessary information regarding the registration of the former trade;

(i) the tradename;

(j) the trademark, if any;

(k) the address of the business;

(l) the address of other business, branches or agencies, if any, which the trader operates either at the place of registration or in any other places;

(m) the names of the managers, if any, and whether their powers are limited to management of a branch;

(n) the date on which the license for carrying on the trade was granted, if any.

Art.88. — **Particulars in respect of summary registration.**

Where a trader makes an application for summary registration, he shall state:

(a) his name;

(b) his nationality;

(c) his private address;

(d) the trade name of the business, branch or agency;

(e) the address of other business, branches or agency;

(f) the objects of the trade;

(g) the name of the managers and whether their powers are limited to management of a branch;

(h) the date on which the license for carrying on the trade was granted, if any;

(i) the reference to the principal registration, the place where it was made and the registration number.

Art.89. — Commercial business organizations.

The relevant provision of Book II of this Code shall apply to registration of business organizations.

Section 3. Alteration of Entries and Additional Entries

Art.90. — Alteration of entries.

(1) Any registered person shall, within two months from the occurrence of a fact making necessary an alteration in the particulars of registration, apply for the entry to be altered.

(2) An application under sub-art. (1) may be made by any interested person.

(3) In particular, the dismissal of the manager shall be entered.

Art.91. — Additional entries in respect of persons.

(1) Any registered person may apply for the following additional entries to be made:

(a) the marriage of the trader, the place and date of the marriage and whether or not a marriage settlement was made, the date and the place where or the person with whom the settlement was deposited, if any;

(b) the decision of the court to dissolve the marriage;

(c) the judgment declaring the trader incapable;

(d) an objection of the spouse, if any;

(e) the setting aside of an objection under Art. 17 of this Code;

(f) the appointment of a new manager;

(g) the opening of new branches or agencies. Where a new branch or agency is opened, it shall be summarily registered in the register of the Region where such branch or agency is situate;

(2) An application under sub-art. (1) may be made by any legally interested person.

Art.92. — Additional entries in respect of business organizations.

The relevant provisions of Book II of this Code shall apply to additional entries in respect of business organizations.

Art.93. — Judgments in bankruptcy.

The relevant provisions of Book III of this Code shall apply to additional entries of judgments relating to bankruptcy or reorganization.

Section 4. Cancellation of Entries

Art.94. — Cessation of trade.

Any registered person shall apply for the registration to be cancelled within two months from his ceasing to carry on his trade or where he lets his business out for hire.

Art.95. — Death of trader.

(1) The spouse or the heirs of a deceased trader shall apply for the registration to be cancelled within two months from the death except in circumstances beyond their control.

(2) Where the right holders under sub-art. (1) of this article carry on the trade under joint ownership, they shall apply for a new registration to be entered.

(3) Where the joint ownership is dissolved, the entry made under sub-art (2) shall be cancelled and the person to whom the business is assigned shall apply for a new registration to be entered.

Art.96. — Entries cancelled by order

(1) The registering office shall, on its own motion, cancel the entries in the commercial register when it becomes aware that the trader has ceased to carry on his trade or a decision has been made to the effect that the trader lacks the capacity necessary to carry on trade or on other grounds that are deemed to be sufficient for cancellation of registration pursuant to other pertinent laws.

(2) Any law that provides for provisional cancellation of commercial registration, short of dissolution and winding up, as an administrative penalty shall be of no effect.

(3) The cancellation order issued pursuant to sub-article (1) shall be notified to the trader concerned and other relevant bodies.

Chapter 3. Sanctions

Section 1. Penal provisions

Art.97. — Failure to register.

Whosever fails to register or to cause an entry to be made in the register in accordance with the provisions of this Code shall be guilty of an offence and shall on conviction be liable to the penalties provided in article 379 of the Penal Code.

Art.98. —Inaccurate statements.

Whosever intentionally makes inaccurate statements in relation to registration shall be guilty of an offence and shall on conviction be liable to the penalties provided in Article 379 of the Penal Code.

Section 2. Civil Sanctions

Art.99. — Effect of registration.

(1) All registered persons or business organization shall be deemed to be traders, unless the contrary is proved.

(2) Registered persons or business organizations shall not be permitted to prove they are not traders and shall incur all liabilities which the status of trader entails.

Art.100.— Effect of failure to register.

(1) Any person who fails to register in accordance with the provisions of this Code may not hold himself out to be a trader to third parties, but he shall be liable as though he were a trader.

(2) The relevant provisions of Book II of this Code shall apply to business organizations.

Art.101 — Effect of failure to cancel entries.

Any registered person who assign his business or lets it out for hire shall, until his registration is cancelled, be jointly and severally liable for all debts incurred by the assignee or lessee.

Art.102. — Effect of entries.

(1) Any person who caused an entry to be made in the register shall not be permitted to show that such entry is inaccurate unless an application is made for such entry to be altered.

(2) Third parties shall not be permitted to prove that they did not know of a fact entered in the commercial register.

Art.103. — Facts relating to persons not to affect rights of third parties.

The following facts shall not affect the rights of third parties in good faith where they have not been entered in the commercial register;

(a) the minority of the trader;
(b) the marriage of the trader;
(c) the marriage settlement of the trader;
(d) the dissolution of the marriage of the trader;
(e) the judgment declaring the trader incapable;
(f) an objection under Art. 15 of this Code;
(g) the limitation of the powers of a manager to the management of a branch or agency;
(h) the removal or dismissal of a manager.

Art.104. — Facts relating to business organizations not to affect rights of third parties.

Facts relating to business organizations which do not affect the rights to third parties where they have not been entered in the commercial register are prescribed by Book II of this Code.

Art.105. — Matters to be prescribed.

Without prejudice to the provisions of Article 71 (2) of this Code the Council of Ministers shall issue a regulation for the implementation of this Book.

TITLE V. BUSINESSES

Chapter 1. General provisions

Art.106 — Definition

A business is an incorporeal movable consisting of all movable property brought together and organized for the purpose of carrying out any of the commercial activities in Art.5 of this Code.

Art.107. — Traders and business.

(1) Every trader operates a business.
(2) A trader may operate several businesses for the purpose of carrying out various commercial activities.
(3) A trader may operate a business in the capacity of owner, usufructuary or lessee. Only the person who operates the business shall be deemed to be a trader and the owner or lessor of the business shall not be regarded as a trader.

Art.108. — Principal business and branches.

(1) A business may consist of one principal business or of a principal business with branches or agencies which shall be deemed to be part of the business.

(2) Where a branch or agency is sold or let out for hire without the principal being sold or let out for hire, such sale or lease shall be deemed to be a sale or lease of a business.

Chapter 2. Elements of a Business

Section 1. Consistency of a Business

Art.109. — Goodwill and incorporeal elements

(1) A business consists mainly of a goodwill.

(2) A business may consist of other incorporeal elements such as:

(a) the tradename;

(b) trademark and any other designation under which the trade is carried on;

(c) the right to lease the premises in which the trade is carried on;

(d) intellectual property rights;

(e) Such special rights as attach to the business itself and not to the trader.

Art.110. — Corporeal elements

A business may consist of corporeal elements such as equipment or goods.

Art.111. — Assets and liabilities

(1) A business shall normally not include the assets and debts of the trader, with the exception of the right to the lease of the premises.

(2) Nothing in this Article shall affect the special rules provided in Art. 2587 of the Civil Code and in Art. 131 of this Code and any other relevant law on the rights of a transferee of a property with insurance cover and the rights of employees when the business organization is transferred.

Section 2. Goodwill and Its Protection

Art.112. — Definition of goodwill.

The goodwill results from the creation and operation of a business and is of a value which arises from relations between a trader and third parties who may require from him goods or services.

Art.113. — Preservation of goodwill.

A trader may preserve his goodwill by instituting proceedings for unfair competition or by setting up the legal or contractual prohibitions provided in Art. 29,39,53,118,130,131,176, and 177 of this Code.

Art.114. — Unfair commercial competition.

(1) A trader may claim damage under Art. 2057 of the Civil Code from any person who commits an act of competition which amounts to a fault.

(2) Without prejudice to the provisions of sub-art. (1) of this article, details on unfair commercial competition and its effects shall be prescribed by law.

Art. 115. —Tradename, trademark and intellectual property rights.

The relevant provisions of the Civil Code and special laws shall apply to the tradenames and trademarks on which the trader carries on his trade as well as the administration of his intellectual property rights.

Section 3. Right to the lease of the premises

Art. 116. —**Civil Code applicable.**

Without prejudice to the provisions of this section, the provisions of the Civil Code shall apply to the right to the lease of the premises in which the trade is carried on.

Art. 117. —**Nature of the trade carried on**.

Where the contract of lease specifies the nature of the trade to be carried on by the lessee, the contract may be cancelled where the lessee carries on a different trade.

Art. 118. —**Prohibition of trade by the lessor.**

(1) After the contract of lease has been entered into, the lessor may not carry on in the same building a trade similar to the trade carried on by the lessee.

(2) Where the lessor disregards the prohibition provided in sub-art. (1) he shall be liable for damages and his business may be closed.

Art. 119. —**Prohibition from assigning or sub-letting.**

(1) Notwithstanding the provisions of Art. 2959 of the Civil Code, any provision in the contract of lease which prevents the lessee from assigning the contract of lease or from sub-letting the premises to the person who buys his business, or which make such assignment or sub-letting lease dependent on the lessor's consent, shall be of no effect.

(2) Any provision which prevents or restricted a trustee in bankruptcy from exercising his rights under this Code shall be of no effect.

Art. 120. —**Termination of contract of lease**.

(1) Where a business is mortgaged, the lessor shall inform the creditors when he terminates the lease or he intends amicably to terminate the lease or to enforce a provision for termination made in the contract. The lease shall terminate not earlier than one month following such notice to the creditors.

(2) Where notice is not given under sub-art. (1) of this article, the termination of the contract of lease shall not affect creditors having secured rights on the business.

Art. 121. —**Lessee declared bankrupt**.

(1) Any clause in the contract of lease providing that the contract shall terminate as of right where the lessee is declared bankrupt shall be of no effect.

(2) Where the lessee is declared bankrupt, the trustee may exercise his rights under Art. 1040 and 1062 of this Code and the lessor may exercise his rights under Art. 1060 and 1062 of this Code.

Chapter 3. Sale of a business

Section 1. General Provisions

Art. 122. —**Civil Code applicable.**

Without prejudice to the provisions of this chapter, the provisions of Art. 2266-2367 of the Civil Code shall apply to the sale of a business.

Art. 123. —**Scope of application of this chapter.**

(1) The provisions of this chapter regarding the sale of a business shall apply:

(a) to any sale or assignment, even under a disguised form;

(b) to any sale by auction at the request of joint owners;

(c) to any distribution accompanied by compensation, where such sale, assignment or distribution relates to a business or its goodwill or to a branch or agency assigned without the principal business being assigned or the goodwill of such branch or agency.

(2) The provisions of this chapter shall not apply to the sale of individual parts of a business other than the goodwill, unless such sale entails or conceals the sale of the business or of the goodwill of a business.

Sections 2. Formalities

Art. 124. –**Sale to be in writing**.

The sale of a business shall be null and void unless evidenced in writing.

Art. 125. –**Particulars in the contract of sale**.

The contract of sale shall specify:

(1) The turnover and profits made during the last three financial years or since the business was created or acquired by the seller, where such creation or acquisition took place less than three years before the sale;

(2) Where the business is carried on in premises let out for hire, the date on which the contract of lease was made and is to expire and the same and address of the lessor;

(3) The mortgage on the business, if any.

Art. 126. —**Cancellation of the contract**

(1) The court may cancel the contract of sale on the application of the buyer where it is of opinion that the buyer was injured by the failure to comply with any of the requirements provided in Art. 125.

(2) The court may cancel the contract of sale or reduce the price of the sale on the application of the buyer where it is of opinion that the buyer was injured by any inaccurate statement made under Art. 125.

(3) Proceedings under sub-art. (1) and (2) shall be instituted during the year within which the contract was made.

Section 3. Duties of the Seller

Art. 127. —**Duty to hand over**

(1) The seller shall hand over the business to the buyer.

(2) Unless otherwise agreed, the sale of a business implies the sale of all the constituent parts of such business.

(3) The seller shall enable the buyer to take over the goodwill by handing to him all necessary documents and information.

(4) The provisions of the Civil Code and of special laws apply to the assignment of intellectual property rights.

Art. 128. —**Books and accounts**

(1) On the day of the sale, the seller and the buyer shall check all accounts and prepare an inventory of all accounting documents and books.

(2) The seller shall retain his books and accounting documents and the correspondence sent or received by him, but he shall, notwithstanding any provision to the contrary, keep them available for inspection by the buyer for a period of two years.

Art. 129. —**Commercial correspondence**.

The seller shall hand to the buyer all correspondence relating to the business which he may receive after the sale of the business.

Art. 130. —**Seller prohibited from competing**

(1) During five years from the sale, the seller shall refrain from doing any act of competition likely to injure the buyer. In particular, he may not carry on, in the vicinity of the business he sold, a trade similar to the trade carried on by the buyer.

(2) The contract of sale may specify the extent of such prohibition which shall in no case exceed five years.

Art. 131. —**Rights of subsequent buyer.**

A prohibition under Art. 130 of this Code shall be deemed to be an element of the business and may be enforced by the buyer and his heirs and by any subsequent buyer.

Section 4. Duties of the Buyer

Art. 132. —**Duty to pay the price.**

The buyer shall pay the price in the manner provided in the contract or, where so special provision is made, in cash. Notwithstanding any agreement to the contrary, the provisions of Arts. 136-142 of this Code shall apply.

Art. 133. —**Publication of the sale.**

The buyer shall ensure that notice of sale is published in accordance with the provisions of Art. 136-142 of this Code.

Art. 134. —**Prohibition from disposing of proceeds of sale.**

(1) After the sale, the price of the sale shall not be paid to the seller until the period of time for making applications to set aside expires or, where any such application has been made, until the rights of the creditors have been settled by agreement or by the court and such creditors have been paid.

(2) Until the time prescribed under sub-art. (1) of this article, no payment or assignment of the claim shall affect the rights of the seller's creditors.

(3) The contract of sale may provide that the buyer shall deposit the price of the sale with a third party. Any such deposit shall discharge the buyer from his liabilities to the seller but the buyer shall remain liable to the seller's creditors.

Art. 135. —**Guarantee of the seller**

Until he is fully paid, the seller shall be secured by a legal mortgage and shall have the right to cancel the contract as provided in Art. 145 to147 of this Code.

Section 5. Publication of the Sale and Rights of the Seller's Creditors

Art. 136. —**Publication of the sale**

(1) Where a business is sold, the buyer shall ensure that a notice to this effect is published in a newspaper with wide circulation in the place where the head office of the business is situate.

(2) Where the business sold comprises branches or agencies situate in different places, the notice under sub-art. (1) shall be published in a newspaper with wide circulation in the place where each branch or agency is situate.

Art. 137. —**Particulars to be published**.

For a notice under Art. 136 not to be regarded as null and void it shall show:

(a) the names and addresses of the seller and buyer;

(b) the type and address of the business;

(c) the type and address of any branch or agency which may have been sold with the business;

(d) the date and nature of the contract of sale;

(e) the price of the sale;

(f) the address for service of court summon at the place where the business is situated.

Art. 138. —**Time within which to publish notices.**

(1) Notices under Art. 136 shall be published during the month within which the sale took place.

(2) Late notice shall be valid, but the buyer may be liable for any damage caused to the seller or to the seller's creditors by reason of the delay.

Art. 139. —**Application to set aside.**

(1) Within one month from the publication of the last notice, any creditor of the seller may, even where his claim is not due, move the court to set aside the proceeds of the sale and shall notify the buyer at his address for service.

(2) The application shall show the name and address of the creditor and the amount and basis of the claim.

(3) Where notice under Art. 136 have not been published or did not contain all the particulars required under Art. 137, an application to set aside may be made at any time.

(4) Until the application is decided on, the buyer or third party with whom the proceeds of the sale have been deposited may not dispose thereof and the provisions of Art. 125 shall apply.

Art. 140. —**Application rejected.**

The buyer may move the court to reject an application which is not correct in form, or which is late or made without good cause.

Art. 141. —**Distribution of the proceeds of the sale**

(1) The proceeds of the sale shall be distributed by agreement or by order of the court between the creditors having a claim secured by the business and the creditors having made an application to set aside.

(2) The surplus, if any, shall be handed to the seller.

Art. 142. —**Overbid by creditors.**

(1) Creditors under Art. 141 (1) may move the court to order that the business be sold by auction where the price of the sale is insufficient to meet their claims.

(2) The court shall order the sale by auction and the price of the sale shall be higher by one tenth than the price specified in the contract of sale.

(3) Where no third party presents himself at the sale, the business shall be sold to the creditor making the highest bid.

Chapter 4. Mortgage of a business

Section 1. General Provisions

Art. 143. —**Mortgage possible**

(1) A business may be mortgaged.

(2) Mortgage of a business flows the law or a contract.

(3) Any mortgage, whether legal or contractual, shall be registered.

Art. 144. —**Mortgage under the law**

(1) The following persons shall have their claims secured by a legal mortgage on the business:

(a) The seller of a business, for so long as the price of the sale has not been fully paid to him;

(b) The creditors of bankrupt trader.

(2) The relevant provisions of Book III of this Code shall apply to a mortgage under sub-art. (1) (b)

Section 2

Mortgage of the seller and action for the cancellation of the contract of sale

Art. 145. —**Legal mortgage**

(1) Where a person sells a business and the price of the sale is not fully paid to him, the payment of the price or such part thereof as is still due shall be secured by a legal mortgage on the business sold.

(2) The provisions of sub-art. (1) shall not apply unless the sale was made in writing and the mortgage has been registered in the manner provided by law during the month within which the sale took place.

(3) Particulars of the registration of legal mortgage shall be prescribed by special law.

Art. 146. —**Action for the cancellation of the contract**

The seller who is not fully paid may cancel the contract of sale. The cancellation of the contract shall not affect third parties unless the mortgage has been registered as provided by law and the possibility of bringing an action for cancellation has been entered in the register in which the mortgage was registered.

Art. 147. —**Bringing of action for cancellation.**

(1) The seller who cancels the contract on the ground that he has not been fully paid (Art. 146) shall, whatever the part of the price still due, take back the whole business in its condition on the day of cancellation, but not including new parts acquired after the contract of sale was made.

(2) The increase or reduction in the value of the price of the parts sold shall be taken into account in settling the rights of the seller and buyer.

Section 3. Contractual Mortgage.

Art. 148. —**Conditions of contractual mortgage.**

(1) Any person who is capable under civil law and who owns a business may mortgage such business notwithstanding that he does not operate it himself.

(2) The mortgage shall be in writing and shall be registered during the month within which the mortgage deed is drawn up.

(3) Particulars of the registration of contractual mortgage shall be prescribed by special law.

Section 4. Rights of Secured Creditors on the Business

Art. 149. —**Business assigned or let out for hire.**

(1) Notwithstanding any provision to the contrary, the debtor may assign his business or let it out for hire.

(2) It may be provided that the mortgage shall become due on the business being assigned or let out for hire. Such provision shall be of no effect unless it is entered in the register.

Art. 150. —**Reduction of the guarantee**

Where the debtor reduces or is likely to reduce the value of the business in particular by removing it, by failing to pay the rent of the premises in which the trade is carried on or by reducing the stocks, any secured creditor may demand that new sureties be produced and, where not produced, may move the court to order that his claim be paid forthwith.

Art. 151. —**Removal of the business.**

(1) A debtor who wishes to remove his business shall inform the secured creditors. The debt shall become due immediately where such notice is not given or removal is effected earlier than one month from such notice.

(2) Creditors may exercise their rights under Art. 150 where they are of opinion that the removal would reduce the value of the business.

(3) Where creditors agree to the removal and the business removed remains within the same area of jurisdiction, the creditors shall apply for the entry in the register to be varied accordingly. Where the business is removed to another place, the creditors shall ensure that a new entry is made in the register kept in the Region in whose jurisdiction the new head office is situate.

(4) Where an entry is varied or new entry is made under sub-art. (3) such varied or new entry shall have effect as from the day of the original entry.

Art. 152. —**Right to follow the business.**

(1) A secured creditor may claim the business from a third party, as the mortgage follows the business into whatever hands it may fall.

(2) The third party may avoid attachment by paying fully all secured creditors.

Art. 153. —**Scope of mortgage.**

(1) The mortgage charges the business in its condition at the time of attachment, whatever the importance or value of its parts at that time.

(2) The mortgage shall apply to such parts only of the business as are expressly specified in the entry.

Art. 154. —**Preferred rights.**

(1) Secured creditors shall have a preferred right on the proceeds of the sale of a business.

(2) As between secured creditors, rights shall rank in accordance with the date on which such rights have been registered. Mortgage registered on the same day shall rank concurrently.

(3) The legal mortgage of the seller shall rank before contractual mortgages.

Art. 155. —**Mortgages may be set up against the creditors of bankrupt person.**

The relevant provision of Book III of this Code shall apply where registered mortgages on a business are set up against the creditors of a bankrupt person.

Chapter 5. Hire of a Business

Art. 156. —**Civil Code applicable.**

(1) A business may be let out for hire.

(2) Without prejudice to Art. 157-167 of this Code, the provisions of Art. 2896-2974 of the Civil Code shall apply where a business is let out for hire.

Art. 157. —**Publication of the contract of lease**.

(1) A contract of lease shall not affect the rights of third parties unless it is in writing and it is published, on the application of either party, in a newspaper widely circulating at the place where the head office of the business is situate.

(2) Notices published under sub-art. (1) shall show:

(a) The names and addresses of the lessor and lessee;

(b) The date and nature of the contract;

(c) The objects and address of the business; and

(d) The period of time for which the contract is entered into.

Art. 158. —**Correction to the registration**

The owner of the business let out for hire shall cause his name to be struck off and the lessee shall cause his name to be entered in the commercial register in accordance with the provisions of Title IV of this Book.

Art. 159. —**Liability of the lessor.**

Until the provisions of Art. 157 and 158 have been complied with and within one month from such formalities having been completed, the owner shall be jointly and severally liable with the lessee for any debt incurred by the lessee in operating the business.

Art. 160. —**Particulars on business papers**.

The contract of lease may be cancelled where the lessee fails to add the word "lessee" on all his business papers.

Art. 161. —**Duties of lessee.**

The contract of lease may be cancelled where the lessee fails to pay the agreed rent on the agreed day or does not operate the business with the care due from a good trader taking into account the objects of such business.

Art. 162. —**Guarantee**

(1) In addition to the rent, the contract of lease may provide that the lessee shall produce sureties to guarantee the fulfillment of his obligations towards the lessor or third parties.

(2) Notwithstanding any provision to the contrary, the sureties shall be fully returned to the lessee upon the application of the lessee where the lessee has fulfilled his obligation and no application is made by the creditors within the period of time specified in Art. 164 (3) of this Code.

Art. 163. —**Lessee personally to carry out his duties.**

The lessee may not assign the contract of lease without the written consent of the lessor, as a contract of lease is made on the basis of the personal qualification of the lessee.

Art. 164. —**Termination of contract of lease to be published.**

(1) Where the contract of lease terminates, notices to this effect shall be published as provided in Art. 157 (1).

(2) Notices published under sub-art (1) shall show:

(a) The names and addresses of the lessor and lessee;

(b) The type and address of the business;

(c) The date of termination of the contract;

(d) The amount of the guarantee under Art.162, if any.

(3) The owner of the business shall be liable to third parties where the sureties under Art. 162 are returned to the lessee earlier than one month from the publication of the last notice.

Art. 165. —**Debts of lessee shall become due.**

Any claim which a creditor may have against the lessee shall become due on the termination of the contract of lease.

Art. 166. —**Prohibition of trade by the lessor.**

(1) During the currency of the contract of lease, the owner of the business may not compete with the lessee by creating or acquiring a business having similar objects.

(2) Where the owner disregards the prohibition provided in sub-art. (1), he shall be liable for damages and his business may be closed.

Art. 167. —**Prohibition of trade by the lessee.**

(1) The parties may agree that, upon the termination of the contract of lease, the lessee shall not compete with the owner of the business by carrying on a trade similar to the trade carried on by the owner.

(2) Any such prohibition shall not be effective for more than five years.

Chapter 6. Contribution of a Business to a business organization

Art. 168. —**Contribution to be published.**

Where a business is contributed to a business organization being formed or in operation, notices to this effect shall be published as provided in Art. 151 (1)

Art. 169. —**Particulars to be published**

Notices published under Art. 168 shall show:

(1) The names and addresses of the contributor;

(2) The objects and address of the business contributed;

(3) The firm-name, nature and head office of the business organization to which the contribution is made;

(4) The date of the memorandum of association.

Art. 170. —**Objection to contribution.**

(1) During the month within which the last publication under Art. 168 was made any creditor of the contributor may, even where his claim is not due, send a notice to the head office of the business organization to which the contribution was made to the effect that he objects to the contribution.

(2) Where no publication was made or it Is invalid, a creditor may make his objection at any time.

Art. 171. —**Steps taken by partners**.

(1) Within one month from an application under Art. 170 being made any partner may move the court to dissolve the business organization under formation or to cancel the contribution made to the business organization in operation.

(2) Where an application under sub-art. (1) is not made and the contribution is not cancelled, the business organization shall be jointly and severally liable with the contributor.

Book II

Business Organizations

Title I

General Provisions

Art. 172. --- Definition

1) A business organization is an association established through a memorandum of association by persons who intend to cooperate and to bring together contributions for the purpose of undertaking an economic activity and of participating in the profit arising out thereof.
2) Notwithstanding sub-article (1) of this article, for the purpose of this Code, one person private limited company is a business organization.

Art. 173. --- Memorandum of association

A memorandum of association is an instrument drawn up to establish a business organization.

Art. 174. --- Types of business organizations

The following are types of business organizations recognized under this Code:-

1) General partnership;
2) Limited partnership;
3) Limited liability partnership;

4) Joint venture;
5) Share company;
6) Private limited company;
7) one person private limited company.

Art. 175. --- Condition of acquiring legal personality

All business organizations other than a joint venture shall acquire legal personality upon registration in a commercial register.

Art. 176. --- Name of a business organization

A business organization shall have a name. Such name may neither be contrary to the interests of another trader or business organization nor contravene the law and public morality.

Art. 177. --- Condition of formation of a business organization

The formation of a business organization shall be of no effect unless it is established through a memorandum of association.

Art. 178. --- Void agreement

Any agreement giving all the profits to only one or some of the members of a business organization, or relieving him or them of a share in the losses, shall be of no effect.

Art. 179. --- Agency

1) Any business organization, except a joint venture, shall acquire rights through and incur liabilities for dealings made by persons it has authorized pursuant to provisions concerning agency.
2) Any business organization, other than a joint venture, shall act in legal proceedings by its agents.

3) Any summons to be served on a business organization shall be served at the head-office.

Art. 180. --- Transferable securities

With the exception of a share company, a business organization may not issue transferable securities.

Art. 181. --- Grounds for dissolution

A business organization shall be dissolved where:
1) the purpose for which the business organization was formed has been achieved or cannot be achieved;
2) the term for which the business organization was formed expires, unless the members agree to continue the business organization;
3) members agree to dissolve the business organization;
4) notwithstanding a contrary agreement between members of the business organization, a court decides to dissolve the business organization for good cause on the request of a member; or
5) a court declares the business organization bankrupt.

Art. 182. --- Cancellation of registration

1) Where a business organization is dissolved and wound-up, the liquidators shall apply for the cancellation of the business organizations from the commercial register. The business organization shall cease to have legal personality starting from the day following the date of the cancellation.
2) The cancellation of the registration of the business organization shall be published in a newspaper with wide circulation in the area where the business organization had its head office.

Title II

General Partnership

Chapter 1

General Provisions

Art. 183. --- Definition

A general partnership is a business organization whereby each partner is jointly and severally liable with the partnership for the obligations of the partnership. Any agreement to the contrary may not be raised against third parties.

Art. 184 --- Name of the partnership

1) The name of the partnership shall consist of the names of all or at least two of the partners. The names of the partners shall be followed by the words "General partnership". The name of the partnership may not contain names of persons who are not partners.
2) Where a partner whose name is mentioned in the name of the partnership ceases to be a partner, the name of the partnership shall be changed accordingly.
3) Where a person who is not a partner knowingly fails to object when his name is used in the partnership name, he shall be liable for the obligations of the partnership as a full partner.

Chapter 2

Formation of the Partnership

Art. 185. --- Memorandum of association

The memorandum of association of the partnership shall contain the following:
1) the firm-name;

2) the head office and branches, if any;
3) the name, address and nationality of each partner;
4) the business purpose of the firm;
5) the amount of monetary contribution of each partner, in the case of in-kind contributions, their value and method of valuation thereto;
6) where there is a partner who contributes skill, the services required from him;
7) the share of each partner in the profits and losses, and mode of allocation of profits;
8) the manager and agent, if any, of the partnership, and powers and duties of the manager;
9) the period of time for which the partnership has been established;
10) other particulars determined by the law or agreement of the partners.

Art. 186. --- Nature and extent of contributions

1) Each partner shall make a contribution in the form of money, movable or immovable property, skill, trademark, good will, patent, lease right, usufruct or other contributions.
2) Contributions may be made to enable the partnership to own or use property.
3) Unless otherwise agreed, contributions shall be equal and of the nature and extent required for carrying out the business purpose of the partnership.
4) Valuation of contribution in kind shall be as agreed by the partners.
5) Where it is shown that contribution in kind has been overvalued, the contributing member shall pay in cash the difference between the overvaluation and actual value of the contribution. Where such partner is unable to pay the difference in cash, the value of his share in the partnership shall be adjusted to reflect its actual value.

Art. 187. --- Guarantee

1) The guarantee required from a partner who has made contributions in kind other than skill shall be the same as the obligations of a seller under the sale provisions of the Civil Code.

2) The guarantee required from a partner who has contributed only the use of property shall bear the same obligations as a lessor under the special contract provisions of the Civil Code.
3) The guarantee required of a partner who has contributed debt shall be the same as the obligations of a debtor under the contract of loan provisions of the Civil Code.

Art. 188. --- Risks.

1) Where the ownership of property is contributed to the partnership, risks against ownership over the property shall pass to the partnership in accordance with the sale provisions of the Civil Code.
2) Where only the use of property is contributed, the risks shall remain with the contributing partner unless the risk is caused by the fault of the partnership.

Art. 189. --- Liability for failure to make contribution in due time

A partner who fails to make a contribution in due time shall be liable to pay interest to the partnership from the date he should have made the contribution.

Chapter 3
Rights and Duties of Partners

Art. 190. --- Rights of partners

Each partner shall have the right to:
1) participate and vote in meetings of the partnership;
2) share the profits of the partnership;
3) inquire about the state of the partnership`s business, consult the books and papers of the partnership, and take note therefrom;

4) where the partnership continues for more than one year, require a report on the management to be prepared at the end of each year;
5) obtain his share in the assets of the partnership where it has been dissolved; and
6) secure others rights and interests which emanate from membership or the memorandum of association of the partnership.

Art. 191. --- Obligations of the partners

1) Each partner shall:
a) pay partnership contribution in due time;
b) work diligently and with due care for the achievement of the purpose of the partnership;
c) refrain from handling, either for his own benefit or for a third person, any business which would be prejudicial to the partnership;
d) be liable jointly and severally for the debts of the partnership; and
e) discharge other obligations arising out of the memorandum of association and membership.
2) Creditors of the partnership may not take an action against individual partners for debts due by the partnership until after payment has been demanded from the partnership. However, an action for the repayment of fictitious dividends may be brought anytime directly against individual partners.

Art. 192. --- Allocation of profits and losses

1) Unless otherwise agreed, every partner shall have an equal share in the profits and losses, irrespective of the nature and amount of contribution he has made to the partnership.
2) Where the agreement relates only to the share in the profits or the share in the losses, such agreement shall apply equally to the share of profits and losses.

Art. 193. --- Admission of a new partner

Unless there is a contrary provision in the memorandum of association of the partnership, a new partner may be admitted to the partnership with the consent of all the partners.

Art. 194. --- Transfer of shares to another partner

Unless there is a contrary provision in the memorandum of association of the partnership, a partner is entitled to transfer his share to another partner.

Art. 195. --- Paying out a partner leaving

1) Where a partner leaves a partnership without transferring his share to another partner or a third party and the partnership continues, he shall receive payment fixed by the agreement of the partners.
2) Where there is no agreement concerning the matter, the amount money to be paid to the partner who has left the partnership shall be determined taking into account contributions paid to the partnership, his share of surplus assets left after settlement of the debts of the partnership or accumulated profits and profits from dealings outstanding at the time of his departure.

Art. 196. --- Liability of a partner leaving

A partner who has withdrawn from the partnership shall be liable jointly and severally with the partnership for the debts and liabilities incurred by the partnership before his departure. The liability may be transferred to his substitute with the consent of the creditors of the partnership.

Art. 197. --- Transfer of beneficial interests and rights in a share to third party

1) A partner may transfer beneficial interests and rights in his share to a third party without the consent of the other partners.
2) The transfer of beneficial interests and rights to a third party by a partner may not bind the partnership. The third party may not obtain the rights of a partner.

Chapter 4

Management of the Partnership

Art. 198. --- Manager of the partnership

1) The partnership shall be managed by one or more managers who may or may not be partners.
2) Where the number of managers of the partnership is more than one, their duties shall be specified separately in writing.

Art. 199. --- Powers and duties of the manager

1) The manager shall have the power to carry out, in the name of the partnership, any lawful act with the view to achieving its purpose.
2) Any agreements restricting the powers of the manager may be raised against third parties where such agreements have been registered in the commercial register or it is shown that the third parties knew about his responsibility.
3) Where the partnership continues for more than one year, the manager shall submit a report on the management of the partnership to the partners at the end of each year.

Art. 200. --- Manager`s improper exercise of power

1) Where a manager acts in the name of the partnership for his own benefit, the partnership shall be liable to third parties dealt with him in good faith. Where it is shown that the third parties were aware of the improper use of the partnership name by the manager, the manager alone shall be liable.
2) Where a manager deals with a third party without using the partnership name, he shall be deemed to have acted on his own behalf. The partnership shall be liable where the third party can show that the manager was transacting on behalf of the partnership.
3) A manager who acts outside the scope of his powers shall alone be liable.

Art. 201. --- Dealing with the partnership

Except with the consent of all the partners, a manager may not have dealings with the partnership on his own behalf or for the benefit of third parties.

Art. 202. --- Restriction on private trade

No partner, without the approval of the other partners, may carry out transactions, on behalf of a third party or on his behalf, which relate to business carried on by his partnership, nor may he be a partner with joint and several liability in the management of a firm carrying on similar business.

Art. 203. --- Dismissal of manager

1) A partner appointed as a manager in the memorandum of association or following an amendment to the memorandum of association may be dismissed by the partners in accordance with the procedure of approval of the memorandum of association or amendment thereto.
2) A manager who is not a partner or a partner appointed as a manager in accordance with sub-article 1 of this Article may be dismissed by the majority vote of the partners.
3) A manager may be dismissed by the court for good cause at the request of a partner.

Art. 204. --- Decision making

1) The consent of all the partners shall be required to vary the memorandum of association or appoint an attorney or carry out any act which goes beyond normal partnership practice.
2) Without prejudice to the provision of sub-article 1 of this Article, partners may agree to take decisions by a majority vote of all the partners. In the absence of such agreement, decisions shall be taken by a unanimous vote of the partners.
3) In the absence of a contrary agreement, each partner shall have equal vote.

Chapter 5
Dissolution and winding-up of partnership

Art. 205. --- Grounds for dissolution of partnership

1) Without prejudice to the general provisions of this Book, the partnership may be dissolved on one of the following grounds:

a) it is established for an undefined period of time or for the life of one of the partners or the right to dissolve is mentioned in the memorandum of association, every partner may bring about its dissolution in good faith by giving six months advance notice;

b) one of the partners is incapable of carrying out his duties in the partnership due to infirmity or illness or any other reason;

c) a disagreement occurs between the partners precluding them from acting together;

d) one of the partners dies or is declared bankrupt by the court or loses legal capacity to be a partner;

e) the personal creditors of a partner cause his entire share to be disposed of or the remaining partners do not agree to his continuation as a partner with the reminder of his share.

2) Without prejudice to the provisions of sub-article 1 of this Article, the partnership may continue to exist where:

a) a partner requests the dissolution of the partnership and there is an agreement to continue the partnership as between the remaining partners by paying out his share; or

b) the remaining partners agree to continue the partnership by paying out the share to heirs of the deceased partner or tutor of the incapable partner or trustee of the bankrupt partner.

Art. 206. --- Powers and duties of manager during dissolution

1) The managers shall retain their powers until the appointment of a liquidator to dissolve the partnership. The managers shall refrain from commencing new business after a decision to dissolve the partnership has been made.

2) The managers shall hand over to the liquidator the property of and all necessary documents relating to the partnership and render an account of their management up to hand over date.

3) Without prejudice to sub-article 1 of this Article, the managers may, after the start of winding-up of the partnership upon the request of the liquidator, only exercise acts of management as are necessary to complete the liquidation.

Art. 207. --- Appointment of liquidators

1) The winding-up of the partnership shall be carried out by one or more liquidators appointed in the memorandum of association or by the agreement of all the partners.
2) Failing the agreement of the partners, the court shall appoint one or more liquidators.

Art. 208. --- Powers and duties of liquidators

1) The liquidators shall take all steps necessary to complete the winding-up of the partnership. Their powers and duties shall include:

a) completion of business already started;

b) drawing up an inventory of the assets and liabilities of the partnership;

c) collection of the assets of the partnership, sell its property, pay the creditors of the partnership from the assets of the partnership or, where necessary, calling upon the partners for contributions;

d) representation in the name of the partnership in administrative, judicial or arbitral proceedings;

e) distribution of the assets of the partnership to the partners;

f) carrying out other acts necessary for the dissolution of the partnership.

2) The provisions of this Code relating to liability of managers shall be applicable to liquidators.

Art. 209. --- Revocation of appointment of liquidators

The appointment of liquidators may be revoked by the agreement of all the partners, or by the court at the request of one partner.

Art. 210. --- Restitution of contributions

1) Where the partnership is dissolved and after settlement of the debts and liabilities of the partnership, each partner is entitled to the restitution of the contribution he has made to the partnership.
2) A partner who contributed only the use of property is entitled to take it back upon dissolution.
3) A partner who contributed the ownership of property may not claim it back upon dissolution. Such partner is entitled to receive the monetary value of the property at the time the contribution was made.
4) A partner who contributed skill shall receive the monetary value of the skill on the basis of the estimated value of the skill at the time the contribution was made.

Art. 211. --- Distribution of profits and losses

1) Where there is a surplus after all claims have been settled and contributions returned, the surplus shall be distributed among the partners.
2) Where the assets are insufficient to repay contributions after payment of debts, expenses and advances, the loss shall be distributed among the partners.
3) The distribution of profits and losses is to be made among the partners in equal shares, where no other proportion has been specified in the memorandum of association.

Title III
Limited Partnership

Art. 212. --- Definition

A limited partnership comprises partners with different types of liability：general partners who are in full liable jointly and severally with the partnership for the obligations of the partnership and limited partners who are liable to the obligations of the partnership only to the extent of their pledged contributions.

Art. 213. --- Firm-name

1) A limited partnership shall have a firm-name.
2) The name of the partnership shall consist of the names of general partners followed by the words “Limited Partnership”.
3) Where a limited partner allows his name to be included in the firm-name, he shall be liable jointly and severally with the partnership to the extent of obligations emanating from the undertakings of the partnership with third parties in good faith as though he were a general partner.

Art. 214. --- Memorandum of association

The memorandum of association of the partnership shall contain, in addition to the particulars required under Article 195 of this Code, names of general partners and limited partners.

Art. 215. --- Contributions

1) The provisions of Article 186 of this Code shall apply with regard to contributions.
2) Notwithstanding the provision of sub-article 1 of this Article, limited partners may not make contribution in the form of skill.

Art. 216. --- Rights and obligations of general partners

1) The provisions of this Code regarding the rights and obligations of partners in general partnership shall be applicable to general partners.
2) Unless the memorandum of association or a decision of the partners has appointed a third party to be a manager, only general partners may be appointed as managers.

Art. 217. --- Conflict of interest

Unless approved by other partners, no general partner may carry out transactions, on behalf of a third party or on his own behalf, which relate to business carried on by his firm, nor may he be a partner with joint and several liability in another firm carrying on similar business.

Art. 218 --- Rights and obligations of limited partners

1) Action may be taken by creditors of a limited partnership to compel limited partners to pay their unpaid contributions.
2) Limited partners may not be required to repay dividends received by them in good faith after approval of the partnership's balance sheet.
3) Limited partners may not act as managers even under a power of attorney. A limited partner who contravenes this prohibition shall be jointly and severally liable with general partners for any obligations arising out of his activities. Where deemed appropriate, taking into account the frequency and gravity of violations of the prohibition, he may be declared jointly and severally liable in respect of some or all the firm`s undertakings.
4) A limited partner may not be deemed to act as manager when he:
a) takes part in consultations in the firm;
b) deals with the firm;
c) investigates managerial acts;
d) gives advice and counsel to the firm;
e) gives permission to do acts outside the manager`s powers.
5) Limited partners may be employed by the firm for non-managerial acts.
6) Notwithstanding a provision to the contrary, limited partners may inspect the books of the firm and may call for the accounts.
7) Unless otherwise agreed, the death, bankruptcy, incapacity of a limited partner and similar other prejudicial grounds may not lead to the dissolution of the partnership.

Art. 219. --- Transfer of shares

1) Shares may not be transferred to third parties except with the consent of all general partners and majority of limited partners.

2) Notwithstanding the provision of sub-art. (1) of this Article, the partners may agree on a different voting arrangement in the memorandum of association.

Art. 220. --- Applicable provisions of this Code

Subject to the foregoing provisions, the provisions of Art. 187-211 of this Code shall apply to limited partnership.

Title IV

Limited Liability Partnership

Art. 221. --- Definition

1) A limited liability partnership is a business organization formed by two or more persons to render professional services and services complementary thereto and whose liability is limited to the extent of their contributions.
2) For the purpose of sub-art. (1) of this Article,
a) "professional service" shall mean a service provided in line with a professional license granted by an appropriate organ;
b) "complementary service" shall mean a service that falls under one or more professions and is related and necessary to provide the professional service.

Art. 222. --- Nature

1) The partnership shall have legal personality distinct from its partners.
2) The death, bankruptcy, departure from the partnership or any other change in the status of the partners may not affect the existence, right or obligation of the partnership.

Art. 223. --- Name of the partnership

The name of a limited liability partnership shall be as agreed by the partners and indicate the purpose of the partnership but shall not offend public policy nor the rights of third parties. The name of the partnership shall be followed by the words "Limited partnership".

Art. 224. --- Partners

1) Only professionals licensed by an appropriate organ to provide professional service or limited liability partnerships which render a service that is similar or related to the one rendered by the partnership may become partners.
2) The general manager of the partnership shall be a natural person licensed to practice in the profession in which the partnership renders a service.

Art. 225. --- Content of memorandum of association

The memorandum of association of the partnership shall contain, in addition to the particulars mentioned in Article 185 of this Code, the type of profession of each partner that provides professional service together with his license number.

Art. 226. --- Contributions

The provisions of Article 186 of this Code relating to contributions shall apply *mutatis mutandis* to limited liability partnership.

Art. 227. --- Conflict of interest

Without prejudice to relevant laws regarding professions, a partner may, on his own behalf or on behalf of a third party, engage in an undertaking which is similar to the one carried out by the partnership, or be a partner in another firm pursuing similar business purpose only with the consent of all the partners.

Art. 228. --- Extent of liability of the partnership

1) Where a partner or an employee of the partnership who, in the course of carrying out the activities of the partnership, intentionally or fraudulently or negligently commits fault or causes damage, the partnership shall be jointly and severally, and without limit, liable with such partner or employee for the fault or damage.
2) The partnership shall be relieved from liability where the injured party knew of the fact that the partner or employee who caused damage did not have the power to carry out the undertaking.
3) The partnership shall be liable for any obligation except the one indicated in sub-art. (1) and (2) of this Article whether arising out of contract or any other situation.
4) The partnership shall have insurance coverage to make good damage emanating from professional fault committed by the partners or employees. The extent of the insurance coverage shall be determined by an appropriate organ.

Art. 229. --- Departure from partnership

1) A partner may leave the partnership on the following grounds:
(a) the partner willingly gives three months advance written notice to the partnership to this effect, unless provided otherwise in the memorandum of association;
b) the partner dies, or is dissolved in case of an entity with legal personality;
c) an entire share of the partner is taken by his personal creditors or is disposed of, or he is declared bankrupt;
d) cancellation of the partner`s professional license, or the professional license is suspended for a long period of time, unless otherwise agreed;
e) the partner is permanently incapable of carrying out his duties as a partner due to permanent illness or infirmity or for any other reason;
f) a decision by a court to expel the partner for good cause.
2) Where a partner leaves the partnership without giving the notice indicated in sub-article 1 (a) of this Article, he shall be answerable for the damage caused as a result of his failure to give the notice.
3) A partner may not be exonerated from debts and liabilities to third parties for dealings made prior to his leaving.

4) The partnership shall cause the departure of a partner to be indicated in the commercial register it was registered.

Art. 230. --- Share of a partner leaving

1) Where a partner dies or leaves the partnership due to illness or bankruptcy or any other reason without transferring his share to another partner or a third party approved by the partners, a person who is entitled to claim his share shall receive the value of the share in cash**.** He is not entitled to become a partner in lieu of the partner who died or left the partnership.
2) In reckoning the cash value of the share pursuant to sub-article 1 of this Article, contributions paid to the partnership by the partner who departed, surplus assets left after settlement of the debts of the partnership, his share of accumulated profits and profits from dealings outstanding at the time of his departure shall be taken into consideration.

Art. 231. --- Decision making

1) Unless provided otherwise in the memorandum of association of the partnership, an amendment to the memorandum of association shall get the approval of two-thirds majority vote of the partners. Any other decision may be made by a majority vote of the partners.
2) Notwithstanding the provision of sub-article 1 of this Article, a decision regarding change in the nationality of the partnership or the business purpose of the partnership shall get the approval of three-quarters of the partners.

Art. 232. --- Grounds for dissolution

1) Subject to the provisions of Art. 191 of this Code, a limited partnership shall be dissolved and wound-up where the number of its partners is reduced to one and it is not possible to substitute another partner within six months.
2) Notwithstanding the provision of sub-article 1 of this Article, upon the request of the remaining partner, where the organ in charge of registration of business organizations finds necessary, it may allow the extension of the six months period by three months.

3) Unless otherwise provided in sub-article 2 of this Article, a partner shall be liable jointly and severally with the partnership for obligations of the partnership where he continues the operations of the partnership for more than six months after being aware of the fact that the number of partners of the partnership is reduced to one.

Art. 233. --- Applicable provisions

Notwithstanding the provisions of this Title, the provisions of Articles 187-211 of this Code shall apply *mutatis mutandis* to limited partnership.

Title I
Joint Venture

Art. 234. --- Definition

A joint venture is a business organization without legal personality established by two or more persons through a memorandum association. Registration formalities required of other business organizations are not applicable to a joint venture.

Art. 235. --- Divulgence to third parties

Where a joint venture is made known to third parties, it shall, as of such date, be regarded, insofar as such parties are concerned, as a general partnership.

Art. 236. --- Contributions

1) The provisions of Article 186 of this Code concerning contributions shall apply to a joint venture.
2) Unless otherwise agreed, every partner owns his contribution.

Art. 237. --- Transfer of shares

Unless otherwise agreed, share in a joint venture may be transferred only with the agreement of all the partners.

Art. 238. --- Managers

1) A joint venture shall be managed by one or more managers who need not be partners.
2) Where no manager is appointed, all the partners shall have the status of managers.

Art. 239. --- Powers and duties of manager

1) The powers and duties of the manager of a joint venture shall be specified in the memorandum of association. The provisions relating to these powers and duties may not be set up against third parties.
2) A manager shall account to the partners. Any provision relieving him from this duty shall be of no effect.
3) The partners may supervise the work of the manager.

Art. 240. --- Dismissal of a manager

The appointment of a manager who is a partner may not be revoked without good cause.

Art. 241. --- Relation with third parties

1) Only the manager of a joint venture is known to third parties. He shall alone be liable for the debts and liabilities of the joint venture.
2) A partner who is not a manager of a joint venture shall meet liabilities towards the manager of such joint venture only to the extent fixed in the memorandum of association.

3) Where a partner who is not a manager takes part in the management of a joint venture, he shall be jointly and severally liable with the manager to third parties.
4) Every partner of a joint venture shall deal with third parties in his own name.

Art. 242. --- Grounds for dissolution

1) Without prejudice to the general provisions concerning the grounds for dissolution of business organizations, a joint venture shall be dissolved on the following grounds:
a) a unanimous decision of the partners for dissolution;
b) a request for dissolution by one partner, where no fixed term has been specified;
c) the acquisition by one partner of all the shares;
d) death, bankruptcy or incapacity of a partner, unless otherwise agreed to continue the partnership;
e) a decision of the manager, if such power is conferred upon him in the memorandum of association.
2) The provision of sub-article 1 of this Article shall apply notwithstanding any provision to the contrary in the memorandum of association.

Art. 243. --- Expulsion of a partner

1) Where dissolution is required for reasons attributable to one partner, the court may, on the application of the other partners, order the expulsion of the partner at fault in lieu of dissolution.
2) The memorandum of association may specify the reason for expulsion of a partner.
3) A partner who is expelled shall be paid what is due to him on the day of expulsion.

Art. 244. --- Applicable provisions

Without prejudice to the preceding provisions of this Title, the provisions relating to general partnership shall apply *mutatis mutandis* to a joint venture.

Title VI

Share Company

Chapter 1

General Provisions

Art. 245. --- Definition

1) A share company is a company whose capital is fixed in advance and divided up into shares and whose liabilities are met only by the assets of the company.
2) The liability of the shareholders shall be limited only to extent of payment of contributions they pledged to the company.

Art. 246 Company name

A share company shall have a name. The company name shall be as agreed by members but shall neither offend public policy nor the rights of third parties. The company name shall be followed by the words ‘‘Share company’’.

Art. 247. --- Minimum capital and par value of shares

1) The capital of the company may not be less than 50,000 Ethiopian Birr.
2) The amount of the par value of each share may not be less than 10 (ten) Ethiopian Birr.

Art. 248. --- Promoters and members of a company formed by public subscription

1) A promoter shall mean a person who initiates the formation of a company by the issuance of shares to the public, invites persons to join the company through a preparation of a prospectus or acts with the view to realizing the purpose of the formation of the company and, where the company is not established, is liable to damages in connection with failure to establish the company. An expert who undertakes a study necessary for the formation of the company, renders

professional support and similar service on the basis of contract he has concluded with the founder is not a promoter.

2) A share company may be founded by one or more natural or artificial persons. A promoter need neither be a member of the company nor required to purchase a share in the company.

3) The number of members of a share company may not be less than five shareholders.

Art. 249. --- Persons not competent as a promoter

A person may not be competent to serve as a promoter of a share company formed by public subscription where he has been convicted of breach of trust, theft, or robbery other similar criminal offenses in connection with his function, or due to any other circumstance, as a promoter, director, manager, inspector, auditor or any other managerial positions in a business organization.

Art. 250. --- Liability of promoters

1) Promoters shall be jointly and severally liable to shareholders, persons with whom they made commitments and third parties for the following matters:

a) commitments entered into for the formation of the company;

b) full subscription of the capital of the company and deposit of the paid-up capital in the name and to the account of the company;

c) valuation of contributions in kind paid to the company in accordance with Article 267 of this Code;

d) accuracy of statements made to the public in respect of the formation of the company;

e) legality of the procedure of formation of the company;

f) verification by an auditor of the formation procedure of the company;

g) where the company is not formed, payment of paid-up contributions with interest to subscribers in accordance with this Code;

h) any other matter connected with the formation of the company.

2) Claims for damages against a founder under sub-art. (1) of this Article shall be barred after five years from the date when the aggrieved party knew of the damage and of the person liable.

There shall be absolute limitation after ten years from the date when the act complained of took place.

Art. 251. --- Commitments and expenses for the formation of the company

1) The company shall take over from the promoters commitments entered into by such promoters during the formation of the company and expenses made by them in so far as such commitments and expenses were necessary for the formation of the company or were approved by the general meeting of the subscribers.
2) Where the company is not established for whatever reason, the subscribers may not be liable for the commitments and expenses made by the promoters.

Art. 252. --- Founders of the company

1) Where persons establish a share company, as between themselves, in accordance with the provisions of this Code regarding the formation of a share company and without offering shares to the public, they shall be regarded as founders.
2) Unless otherwise provided by another law, the number of founders of a share company shall be at least five.

Art. 253. --- Share in the profits allocated to promoters and founders

1) The promoters, or as the case may be founders, may, for a period not exceeding three years, receive, in addition to their rights as shareholders, a share in the profits, beginning from the date on which the company starts making profits, which may not exceed twenty percent of the net profits in the balance sheet.
2) Neither the promoters nor the founders may receive any other special benefit except that which is provided for in sub-article 1 of this Article.
3) The benefit to be provided under sub-article 1 of this Article shall be paid in cash. The special benefit due to the promoters and founders may not be paid by issuing shares.

Chapter 2

Formation of the company

Art. 254. --- General requirements in respect of formation

1) Without prejudice to other provisions of this Code, a share company may not be formed until:
a) the capital has been fully subscribed and
b) at least one quarter of the par value of shares sold in cash has been paid up and deposited in a block bank account opened in the name of the company under formation.
2) Sums deposited pursuant to sub-article 1 (b) of this Article may not be withdrawn from the bank account until the company is registered in the commercial register.
3) Where the company has not been registered within one year from the date of deposit in a bank of the paid-up sums in accordance with the time limit set in the prospectus submitted pursuant to Article 259 of this Code, subscribers who do not seek to continue as members of the company may request the return with bank interest of their paid-up sums. The promoters shall notify the organ in charge of registration of business organizations the return of the contributions within thirty days from the date of the request to return of the sums. The organ mandated to register business organizations shall inform the concerned bank about the return of his the contribution of the subscriber. The formation of the company may continue as between the remaining subscribers.
5) Where the promoters have failed to notify the organ entrusted to registration of business organizations with the view to returning the sums to subscribers pursuant to sub-article 3 of this Article in due time, they shall be liable jointly and severally, from the date on which they should have been made the notification, for the difference between bank interest and legal interest.

Art. 255. --- Contents of memorandum of association

The formation of any share company shall be by a memorandum of association. The memorandum of association shall contain the following particulars:
1) the name of the company;
2) the head office, and the branches, if any;

3) the names, nationality, and address of the shareholders, the number of shares which they have subscribed and paid-up;
4) the business purpose and sector of the company;
5) the amount of capital subscribed and paid-up;
6) the par value, number, form and classes of shares;
7) the name of shareholder who made contributions in kind, the price at which they are accepted and method of valuation, their object, and the number of shares allocated to him by way of exchange;
8) the manner of distributing profits;
9) the amount of special benefit allocated to the promoters and manner of distribution of such benefit;
10) the number of directors and managers of the company and their powers;
11) the number of supervising board members, if any, of the company and their powers;
12) the number of auditors;
13) the period for which the company is to be established;
14) the manner and time in which the company will publish its performance report;
15) the management of the company; matters related to the relations between the company and its shareholders, and the relations between shareholders;
16) Other matters determined to be included by the law or the agreement of shareholders.

Art. 256. --- Contributions

With the exception of skill, Art. 186 of this Code regarding cash and other contributions in kind shall apply *mutatis mutandis* to a share company.

Art. 257. --- Valuation of contributions in kind

1) A member who makes a contribution in kind shall file an expert valuation report.
2) The report shall contain a detailed description of the property contributed, the value given to each item, and the method of valuation. It shall be annexed to the memorandum of association.

3) The valuation of contribution in kind shall be verified by the promoters and formation auditor before the meeting of subscribers takes place.
4) Where the company under formation is not a publicly subscribed share company, the contribution in kind shall be verified by founders of the company.
5) Notwithstanding the approval of the valuation pursuant to sub-art. (3) and (4) of this Article, the board of directors and auditors shall verify the valuation of the contributions in kind within six months from the date of registration of the company in the commercial register. They shall also ensure that the property contributed, as the case may be, is registered in the name of the company and necessary title deed is prepared in its name.
6) Where investigation and verification under sub-art. (5) of this Article results in the value of the contribution being lowered by one tenth and less, the contributor shall make good the difference. Where the contributor fails to make the difference, his share shall be reduced accordingly. The capital of the company shall also be reduced accordingly.

Art. 258. --- A company whose shares are open to public subscription

The provisions of Art. 259-264 of this Code shall apply to the formation of a company whose shares are open to public subscription.

Art. 259. --- Prospectus of the company

1) An offer to subscribers shall be made by a prospectus signed by all the promoters. The prospectus shall show:
a) the text of the draft memorandum of association;
b) a summary of the expert valuation report, if any;
c) the date until when the subscribers may be required to discharge
their obligations;
d) the price at which shares are to be issued;
e) the amount to be paid up on the shares until the general meeting of the subscribers;

f) the place where and the time when applications to subscribe shares shall be made; and the necessary details of the bank account opened in the name of the company under formation in which payments are required to be deposited; and

g) the anticipated time within which the formation of the company is completed and the company obtains legal personality; the time within which the formation of the company is completed may, under no circumstance, extend beyond five years.

2) Copies of the prospectus and of the expert valuation report, if any, shall be made available to all persons who may wish to subscribe.

Art. 260. --- Application for shares

1) Applications for shares shall be made in the form provided and deposited in the place of application.

2) The applicant for shares shall declare that he has read the prospectus, the draft memorandum of association and the expert valuation report, if any; he shall state in the form his name and address, the number of shares he seeks to purchase and the date of application.

Art. 261. --- Auditing formation procedure of the company

1) When the requirements relating to the formation of the company have been complied with, the promoters shall have the formation of the company verified by external auditors.

2) The audit verification shall include the following:

a) the promoters meet the requirements set by law regarding promoters;

b) the full subscription of the capital of the company;

c) the payment of contributions in kind to the company and their expert valuation;

d) deposit of cash received from subscribers with regard to paid up shares in a bank account opened in the name of the company;

e) the fulfillment of other share company formation requirements set by the law and memorandum of association.

3) The audit report shall be submitted to and approved by the meeting of subscribers through the auditor.

4) The company many not be registered until audit verification of compliance with the requirements listed under sub-art. (2) of this Article. Where the contribution in kind is an immovable property and the like that requires under the law effecting transfer of name and title deed, it is sufficient where such property is put under the possession of the promoters or, as appropriate, the founders.

Art. 262. --- Meeting of subscribers

1) Upon completion of audit of the company formation, the promoters shall forthwith call a meeting of subscribers.
2) Without prejudice to the provisions of Art. 264 of this Code, the provisions relating to the calling and decisions of an extra-ordinary meeting shall apply to meetings of subscribers.

Art. 263. Powers and duties of meeting of subscribers

The meeting shall have the following powers and duties:
1) verify that the requirements relating to the formation of the company have been complied with;
2) deliberate on and approve the final text of the memorandum of association of the company;
3) approve the report of the promoters and formation auditors;
4) approve contributions in kind, if any, and the share in the profits allocated to the promoters;
5) make appointments of organs of the company to be made by the meeting of subscribers under the law and the memorandum of association.

Art. 264. --- Special rules regarding resolutions of subscribers` meeting

1) Resolutions of subscribers` meetings shall be drawn up and signed by all the promoters. All documents submitted to the meeting shall be annexed to the resolutions.

2) Any subscriber may take part in the discussions at the meeting and may exercise his voting rights.
3) Contributors in kind may not vote with regard to a resolution approving the valuation of their contributions in kind and the same shall apply to promoters as regards the resolution approving a share in the profits allocated to them.
4) Amendments of substance to the draft memorandum of association may not be made without the approval of all subscribers: Provided that a majority vote shall be sufficient where the amendments relate to approval of contributions in kind or approval of special share in the profits allocated to the promoters.

Art. 265. --- Registration of the company in the commercial register

1) The share company shall be registered in the commercial register regardless of the manner in which it was formed. The company shall obtain legal personality by registration.
2) Notwithstanding any provision to the contrary in any other law, the registration of the company shall be effected by the promoters or, as appropriate, the founders or any other person having a power of attorney from the promoters or founders.
3) Notwithstanding any provision to the contrary in any law, the registration application shall be accompanied by an authenticated memorandum of association, a prospectus, where the company is formed by public subscription, audit report on valuation of contributions in kind and formation and minutes of the subscribers` meeting.

Art. 266. --- Effecting registration not in compliance with legal requirements

1) Where the company has been entered in the commercial register, the company shall have legal personality notwithstanding that all the legal requirements relating to the formation of the company have not been complied with.
2) Without prejudice to sub-art. (1) of this Article, where the interests of creditors or shareholders are endangered by the legal or statutory requirements not having been complied with, the court, may, on the application of one of the creditors or shareholders, order the dissolution of the company and such provisional measures as may be necessary. An application

pursuant to this sub-article may be brought only within one year from the date of entry of the company in the commercial register.

Chapter 3
Shares and the rights and duties of shareholders

Art. 267. --- Form of shares

1) Shares are either registered in the name of the shareholder or to bearer. New bearer shares shall not be issued after the publication of this law in the *Negarit Gazzette*.
2) Notwithstanding any contrary agreement, a person owning bearer shares shall apply to the company having issued bearer shares to convert them into registered shares for him within three years from the publication of this law in the *Negarit Gazzette*.
3) Expenses necessary for the conversion of a share under sub-article 2 of this Article shall be borne by the shareholder who has made the request.
4) Bearer shares shall not confer any membership rights after the expiry of the three-year transition period indicated under sub-article (2) of this article.

Art. 268. --- Price at which shares issued

1) The company may not issues shares at a price lower than their par value.
2) Shares may be issued at a price greater than their par value where such issue is provided by the memorandum or decided by an extra-ordinary general meeting of the shareholders. The difference between the par value and the price at which shares are issued shall be known as a premium.

Art. 269. --- Share certificate issued before registration of the company in the commercial register

A share certificate issued before the registration of the company in the commercial register shall be null and void. However, duties and liabilities arising thereunder may not be affected.

Art. 270. --- Indivisibility of shares

1) Shares are indivisible.
2) Where several persons own shares jointly, they shall appoint a representative to exercise the shareholder`s rights.
3) Failing such appointment, notices and declarations made by the company to one joint owner shall be effective against all joint owners.
4) Joint owners of a share shall be jointly and severally liable in respect of any liabilities as shareholder.

Art. 271. --- Pledge or usufruct

1) Where a share is pledged or given in usufruct, the right to vote at meetings shall, unless otherwise agreed, be exercised by the pledgee or usufructuary.
2) Where there is a preferential right of subscription, such right shall be retained by the shareholder.
3) The shareholder shall be liable for calls on shares which have been pledged. If the calls are not met, the pledgee may sell the share under Art. 294 of this Code.
4) A usufructuary shall be liable for calls on shares. He may claim for repayment when the usufruct expires.
5) Persons who hold shares with voting rights in pledge or usufruct shall be registered with the company. Upon registration, the company shall provide them with a certificate of registration.

Art. 272. --- Manners of issuance of shares

1) Shares may be issued in an instrument or incorporeal form. The manner of issuance of shares shall be determined in the memorandum of association or amendments thereto.
2) An incorporeal share is a share created electronically by a finance institution licensed by the National Bank of Ethiopia and retained by such institution in electronic share account.

3) A company established before the finance institutions start retaining electronic share accounts as per sub-article 1 of this Article may decide the replacement of shares issued in paper form by incorporeal shares at an extra-ordinary general meeting. Such decision shall be valid only where pledgees of shares of the company verify their acceptance of the decision in writing.

Art. 273. --- Contents of a share certificate

Every share issued in the form of a paper certificate shall contain the following:
1) the signature of a member of the board of directors of the company;
2) the name, head office and period for which the company is established;
3) the amount of the capital of the company and the par value of the share;
4) the date of signature of the memorandum of association and the date and place of registration of the company in the commercial register;
5) the serial number of the share, its form or class, whether it is ordinary or preferential and the kind of preference share;
6) the amount of part payments on shares not fully paid up, or a statement that the share is fully paid up;
7) a statement indicating whether a share may be transferred to a foreigner.

Art. 274. --- Registration of shareholders

1) Where a share company issues shares in the name of shareholders, it shall keep a register of shareholders at its head office. The register shall be retained in paper format or permanent electronic device.
2) The register shall contain the names and addresses of shareholders, the number and numeration of the shares, the amount paid up and the date of entry of the shareholder in the register.
3) Shareholders and concerned government authorities may inspect the register without charge. Persons other than shareholders may also inspect the register upon payment of the prescribed fee.

4) Any person may within one month obtain a copy of or an extract from the register upon payment of the prescribed fee. The company shall give the copy or extract to the person requesting within fifteen days from the date of such request.
5) Where an error has occurred in the register, the concerned government authority may order the rectification of the register on the request of any interested party or a shareholder.
6) The members of the board of directors of the company shall be jointly and severally liable for any damage emanating from inaccuracy in the particulars of the register.

Art. 275. --- Purchase by the company of its own shares

1) A company may acquire its own shares where:
a) the acquisition has been authorized by a meeting of the shareholders;
b) the purchase price is made from the net profits of the company;
c) the shares are fully paid to the company.
2) The directors may not dispose of shares thus purchased. The voting rights on such shares shall be suspended.
3) The provisions of sub-article 1 of this Article may not apply where the purchase has been decided by an extraordinary general meeting to reduce the capital of the company.
4) The provisions sub-article 1 (a and c) of this Article shall apply where a company receives its own shares in pledge.

Art. 276. --- Restriction on free transfer of shares

1) Provisions may be made in the memorandum of association or by resolution of an extraordinary general meeting restricting the free transfer of shares.
2) Provisions may be made in the memorandum of association or resolution of extraordinary general meeting requiring the consent of board of directors before the transfer of shares. Such provisions shall be of no effect unless:
a) a right of pre-emption is reserved to the company or the shareholders; and
b) the conditions relating to the exercise of the right of pre-emption are specified and the price of the pre-emption is fixed in advance.

3) The provisions of sub-articles 1 and 2 of this Article may neither result in preventing transfer of shares nor in causing serious damage to a shareholder who may wish to transfer his share.
4) Where the right of pre-emption is reserved to the company, the price shall be paid from reserve funds or net profits.

Art. 277. --- Company may neither grant advances nor make loans on its shares

A company may neither grant advances on its shares nor make loans to enable third parties to acquire shares prior to effecting payment determined by the law and in the memorandum of association.

Art. 278. --- Classes of shares

1) The memorandum of association or an amendment thereto may provide for the setting-up of classes of shares with different rights.
2) All shares of the same class shall have the same par value and confer the same rights on shareholders.
3) A change in the rights conferred to a class of shares may be made only with the approval of a special meeting of the class of shareholders held under the same conditions as the extraordinary general meeting having recommended the change.

Art. 279. --- Preferential shares

1) Special benefits derived from preferential shares may include preference over other shares such as preferred right of subscription in the event of future issues, or rights of priority over profits, or in the case of liquidation of the assets of the company priority right over repayment of contributions or distribution of a share of the surplus in the winding-up.
2) The issue of shares with a preference as to voting rights is prohibited.
3) The memorandum of association may provide that shareholders who have been given rights of priority over profits and distribution of capital upon dissolution of the company may vote only on matters which concern extraordinary meetings.

4) The number of shares having restricted voting rights under sub-article 3 of this Article may not exceed half the amount of capital.

Art. 280. --- Dividend shares

1) A company may repay, from profits or reserve funds, without reducing the capital, to shareholders the par value of their shares.
2) Shareholders whose shares are thus redeemed shall receive only dividend shares. These shares do not confer any right to repayment of contributions upon dissolution of the company. They retain however a right to vote and a right to a share in the net proceeds on a winding-up.

Art. 281. --- Paying up of cash shares

1) Shares subscribed in cash shall be paid up upon subscription at least one fourth of their par value or where a greater amount is provided in the memorandum of association, the whole of such amount shall be paid. They may not be issued as bearer shares until they are fully paid up.
2) Unless a short period is provided in the memorandum of association, payment of the balance shall be effected within a period of five years from the date of registration of the company in the commercial register.

Art. 282. --- Paying up of shares by way of contributions in kind and time for transfer of shares

1) Where transfer of ownership and obtaining title deed in the name of the company are required with regard to contributions in kind, such formalities shall be completed within six month from the date of registration of the company.
2) Without prejudice to other rights conferred to shareholders in this Code, shares representing contributions in kind may be issued to the shareholder and transferred to third parties one year after the date of registration of the company.

Art. 283. --- Nature of instrument share

An instrument share is a document incorporating a right of a shareholder in such a manner that it be not possible to enforce or transfer the right separately from the document.

Art. 284. --- Transfer of bearer instrument shares

1) A bearer instrument share shall be transferred by mere delivery of the document evidencing such share. No other requirement is needed.
2) Unless proved to the contrary, the holder of a bearer instrument share shall be regarded as an owner of such share for the purposes of payment of dividends, redemption and right to vote in a general meeting or benefiting from other rights arising out of the share.

Art. 285. --- Condition of transfer of an instrument share issued in a specified name

1) An owner of a share issued in a specified name is a person in whose name the share is registered in the register of shareholders kept at the head office of the company.
2) The transfer of a share issued in a specified name shall be effected by delivery and registration of the share in the name of the transferee in the register of shareholders. The registration shall show the names of the transferor and of the transferee, their addresses, number of shares transferred, date of transfer and the date of entry of the transfer in the company`s register of shareholders.

Art. 286. --- Defense regarding an instrument share

The company may not set up against a holder of a bearer instrument share defenses based on its personal relations with preceding owners of the share, unless the holder, at the time of transfer of the share, has knowingly and intentionally acted to the detriment of the company.

Art. 287. --- Effect of possession in good faith

A share may in no case be claimed from a person who acquired it in good faith in accordance with the provisions of this Code relating to transfer of instrument share.

Art. 288. --- Condition of transfer of incorporeal share

1) Transfer of an incorporeal share shall be effected by indicating the name of a transferee and the amount of shares through crediting the account in the share account maintained by a finance institution licensed by the National Bank of Ethiopia.
2) The formalities to be observed for the transfer of an incorporeal share shall be determined by the finance institution that has created such share.
3) The finance institution shall be answerable where it effects a transfer of an incorporeal share without contractual or legal basis.

Art. 289. --- Liability to meet calls

1) Holders, previous transferees, and subscribers shall be jointly and severally liable to the company for calls on shares.
2) Notwithstanding the provisions of sub-article 1 of this Article, any subscriber or shareholder who has transferred his share shall cease to be liable for call after two years from the date of the transfer.
3) Where the persons mentioned under sub-article 2 of this Article fail to pay the call at the due date, they shall be liable to pay interest at the legal rate where no rate has been provided in the memorandum of association.
4) The company may fifteen days after the receipt by the shareholder of a rewritten notice demanding payment offer the unpaid shares for sale by auction. The shares so auctioned shall be cancelled and new shares delivered to the purchaser.
5) Where the sale of the shares cannot be effected, the board of directors may decide to forfeit the shares and retain the amounts paid up, without prejudice to any other claim it may have.

6) Where unsold shares have not been put in circulation during the trading period in which forfeiture was ordered, they shall be cancelled and the capital reduced accordingly.
7) A shareholder who fails to make payments on shares when they become due shall lose his voting rights at a meeting.

Art. 290. --- Temporary warrants

1) Temporary bearer warrants shall only be issued in respect of bearer shares which are fully paid. Temporary warrants shall be of no effect where they are issued before bearer shares are fully paid.
2) Where temporary registered warrants are issued in respect of bearer shares, they may only be transferred under provisions relating to the assignment of debts.
3) Temporary warrants in respect of registered shares shall be registered. The provisions relating to registered shares apply to the transfer of such warrants.

Art. 291. --- Rights arising out of shares

1) Every share shall confer a right to participate in the annual net profits and to a share in the net proceeds on a winding-up.
2) Unless otherwise provided in the memorandum of association, the share in the profits or in the proceeds on a winding-up due to a shareholder shall be calculated in proportion to his paid up capital of the company.
3) Every share shall confer voting rights. The voting rights attached to a shareholder shall be in proportion to the amount of capital represented by his shares.
4) Every shareholder has a preferred right, in proportion to his holding, to purchase of cash shares issued on an increase of capital.
5) The provisions of Art. 448-457 of this Code shall apply to the exercise of the right indicated in sub-article 4 of this Article.

Art. 292. --- Redemption by request of a minority shareholder

1) Where a shareholder holds more than nine-tenths of the shares in a company, each minority shareholder of the company may demand redemption by that shareholder.

2) The terms of redemption and particularly the basis used for determining the redemption price must be set out in the request for redemption.

3) An expert appointed by the court with jurisdiction over the place where the company is registered will determine the price in the event the redeeming shareholder does not agree to the proposal under sub-article (2) of this article.

4) The costs pertaining to the price determination are payable by the shareholder who has requested such determination.

5) Notwithstanding sub-article (4) of this article, where the expert determines a redemption price that is higher than that offered by the redeeming shareholder, the court that appointed the expert may order the redeeming shareholder to pay the costs in whole or in part.

Art. 293. --- Mandatory Bid Rule

A person who intends to buy shares representing 50% (fifty *per cent*) and more of the capital of a company shall make a tender offer to all shareholders of the company.

Art. 294. --- Redemption by request of a shareholder

1) Any shareholder holding more than nine-tenths of the shares in a company may demand that minority shareholders have their shares redeemed by that shareholder.
2) The demand shall be made to the pertinent shareholders under the rules governing notice for general meetings and require them to transfer their shares to the shareholder within five weeks.
3) The terms of redemption and the basis used for determining the redemption price must be set out in the request for redemption.
4) An expert appointed by the court with jurisdiction over the place where the company is registered will determine the price in the event the minority shareholder does not agree to the proposal under sub-article (3) of this article.

5) The costs pertaining to the price determination under sub-article (4) shall be defrayed by the shareholder who requested such determination.
6) Notwithstanding sub-article (5) of this article, where the expert determines a redemption price that is higher than that offered by the redeeming shareholder, the court that appointed the expert may order the redeeming shareholder to cover the costs in whole or in part.
7) Where the number of shareholders of a company is reduced below five due to the exercise of the right of redemption by a shareholder under this Article, the shareholder who has exercised such right shall see to it that number of shareholders of the company is increased or the form of the business organization is changed within not more than three months.

Art. 295. --- Liability of shareholders

Notwithstanding the provisions of Article 245 of this Code, any shareholder with a decisive vote shall be jointly and severally liable with the company where he is found to have committed one of the following:

1) commission of unlawful act intentionally that jeopardizes the interests of the company, shareholders or creditors of the company;

2) merger of the property of the company with the property of the shareholder;

3) failure to separate the legal personality/identity of the company from that of the shareholder;

4) release information on the financial status of the company to deliberately mislead the creditors of the company;

5) make use of the assets of the company without sufficient payment or agreement for the personal benefits of the shareholder or third parties and

6) payment of dividends that exceed the limit set by the law.

Chapter 4
Management of the Company
Section 1
Board of Directors and Supervisory **Board**

Art. 296. --- Directors

1) A company shall have not less than three nor more than thirteen directors who shall be elected by the shareholders. Two-thirds of members of the board of directors may not paly a role in the day-to-day management affairs of the company.
2) Persons who are not shareholders may be elected as members of the board of directors. However, the number of non-shareholder directors may not exceed one-thirds of the total number of the board of directors.
3) Where the memorandum of association does not clearly specify the number of directors, the meeting of subscribers shall decide the number of directors to be appointed.
4) A legal entity may be appointed a director. Upon its appointment, it shall appoint, for the duration of its term, a permanent representative. The legal entity shall appoint a replacement at the earliest practicable time where the permanent representative resigns or cannot discharge his obligations for whatever reason.
5) Although a permanent representative is not personally a director of the company, he is subject to the same conditions and obligations and shall incur the same civil and criminal liability as if he were a director in his own name, without prejudice to the joint liability of the legal entity that he represents.

Art. 297. --- Requirements to qualify as a director

1) In order for a person to become a member of a board of directors, he shall meet the following requirements:
a) Compliance with minimum age requirement, where such an age is determined in the memorandum of association or law;
b) Possession of good moral character/good moral standing;
c) Not convicted of breach of trust, theft, or robbery or other similar criminal offenses while serving as, or due to any other circumstance, as a promoter, director, manager, member of supervisory board or auditor or carrying out any other managerial position in a business organization.

d) compliance with any other requirements set in the memorandum of association or law.
2) A person shall be dismissed from his position as a director where he obtains direct or indirect benefits from his engagement in dealings in violation of his position as a board of director. He shall be barred from serving as a director of any business organization for two years from the date of his conviction.

Art. 298. --- Appointment of directors

1) The first directors may be appointed under the memorandum of association. The appointment shall be submitted to a meeting of subscribers for approval. Where such approval is not given, the meeting shall appoint other directors.
2) Subsequent directors shall be appointed by a general meeting.
3) Directors may not be appointed for more than three years. Unless otherwise provided in the memorandum of association, directors are eligible for re-election.
4) In the course of election of board of directors, vote shall be cast for each director separately.

Art. 299. --- Representation of shareholders with different legal status

Where a company has classes of shares which vest different interests, each class of share shall appoint at least one representative as a member of the board of directors.

Art. 300. --- Chairperson

1) Only a director who is a shareholder may become the chairperson of the board of directors. A director who takes part in the day-to-day management affairs of the company may not be the chairperson of the board of directors.
2) The chairperson of the board of directors, where appropriate a deputy chairperson, may be elected by a meeting of subscribers or shareholders. The board shall elect a chairperson or deputy chairperson from among its members where no chairperson or deputy chairperson has been elected by the meeting.

3) The board may revoke the appointment of a chairperson or deputy chairperson elected by the board.

Art. 301. --- Special mandates

1) The board of directors may give to one or more of its members a special mandate as regards one or more specific matters including to represent the company in a specific transaction.
2) The board of directors may decide to create committees consisting of directors to review matters as and when it deems that appropriate and recommend a course of action, if need be. It shall determine the composition and powers of the committees that it establishes without exceeding powers vested in the Board.
3) Where the company does not have a supervisory board, an audit committee shall be established from among members of the board. The aboard, without exceeding its powers, may determine the powers of the committee it forms.
4) Subject to a contrary stipulation by the board a committee established under sub-articles (2) and (3) of this Article may seek the opinion of experts who are not directors.

Art. 302. --- Security by directors

1) The memorandum of association may provide that directors furnish security to guarantee proper discharge of their duties. Where the memorandum so requires, it shall also prescribe the necessary details regarding the type and amount of security to be furnished and how the security is to be held.

2) The security shall be released where the director has ceased to be a director and it has been ascertained that he no longer owes obligations to the company.

Art. 303. --- Replacement of directors

1) Where, during a financial year, one or more of the directors have left the board, the surviving directors shall appoint other persons as a board member. The terms of office of the replaced board members shall expire upon the expiry of the period for which the directors who have left the board was appointed.

2) The appointment of directors shall be submitted to the next general meeting for confirmation. The general meeting may confirm their appointments or appoint other directors in their place. The acts done by persons appointed under sub-article 1 of this Article shall be valid even where the appointment of such persons is not confirmed by the general meeting.
3) Where the number of the surviving directors is less than half of the board of directors, they shall convene a general meeting to appoint other directors within thirty days as of the time of the shortfall in the number of the board of directors. The surviving directors shall conduct the affairs of the company until the appointment of replacement directors.
4) Where there are no surviving directors, the supervisory board, in its absence, the auditors shall convene a general meeting to appoint other directors within thirty days as of the time of the shortfall in the number of the board of directors.
5) Until the appointment of replacement directors in accordance with sub-article 4 of this Article, the supervisory board, if any, or the auditors, shall manage the company. The management of the company carried out under this circumstance by the auditors shall be verified by assistant auditors.

Art. 304. --- Remuneration

1) Directors shall receive a fixed annual remuneration whose amount shall be determined by a general meeting and charged against general expenses.
2) An ordinary general meeting of the company may also decide to give to the directors a specified share in the net profits of a financial year.
3) The amount of the share in the net profits that the directors may receive pursuant to sub-article 2 of this Article may not exceed ten percent of the dividend to be distributed in that fiscal year.
4) The director`s share in the net profits under sub-article 2 of this Article may be paid only where dividend has been distributed to the shareholders in that year.
5) Remuneration fixed for the directors shall be made in lump sum. Such sum may be distributed among board of directors as deemed appropriate by the board.
6) The Ministry of Commerce, having regard to the financial position of the company and to the salaries and benefits of its employees, and taking into account the need to create healthy business environment, may, on the request of shareholders representing at least ten percent of the capital,

order the reduction of the remuneration of the directors given under sub-article 2 of this Article where it considers it excessive.

Art. 305. --- Removal of directors

1) Directors may be removed at any time by a general meeting, notwithstanding any agreement or provision to the contrary in the memorandum of association.
2) The director who was removed without good cause is not entitled to be reinstated as a director without prejudice to any claim he may have for wrongful dismissal.

Art. 306 Dealings between a company and persons affiliated with the company

1) Subject to the provisions of Article 394 sub-article (4) and 395 prescribing prior approval by shareholders of transactions involving 10% (ten per cent) or more of the assets of the company, dealings made between a company and persons affiliated with such a company shall be approved in advance by the board of directors. Directors having conflict of interest shall not vote regarding the approval of the transaction. Dealings made without an advance approval of the board of directors shall be void. Notice of dealings made with a prior approval of the board of directors shall be given immediately to the auditors.
2) The auditors shall submit a special report to the general meeting relating to dealings approved by the board of directors in accordance with sub-article 1 of this Article. The auditors` report shall show: the nature of the dealings, the type and extent of payment effected and adequate information about the circumstance surrounding the affiliation that is the cause of conflict of interest. The general meeting may render a decision that it deems appropriate on the basis of the report.
3) Dealings approved by the general meeting may be opposed by shareholders only on the ground of serious damage to the company or fraud.
4) Dealings shall remain enforce unless the general meeting has rejected the same on account of serious damage to the company or fraud. The party who has committed the fraud and members of the board of directors who knew or should have known the commission of the fraud or the fact

that the dealings would cause serious damage to the company shall be jointly and severally liable for damages incurred by the company as a result of the dealings.

5) The preceding provisions of this Article may not apply to dealings between a company and persons affiliated with such company, in the same manner as normal dealings between the company and its clients.

6) Under this Art., persons affiliated with the company shall include the following:

a) members of the board of directors, manager, auditor, members of the supervisory board and secretaries of the company,

b) persons related by affinity or by consanguinity with those persons listed under sub-art. 6 (a) of this Art. pursuant to the Revised Federal Family Code,

c) a business organization or concern in which persons listed under sub-art. (a) and (b) of sub-article 6 of this Art. play managerial role or shareholders or beneficiaries or

d) a company that is holding or subsidiary to the company;

e) unless less amount of shareholding is provided by the memorandum of association or law, companies which have purchased at least ten percent of the shares of the company or companies in which the company is a shareholder or companies which have purchased each other`s shares.

f) other persons mentioned in the memorandum of association or by another law as having affiliation with the company.

Art. 307. --- Directors may not contract loans with the company

1) A company may not make a loan to a director of the company or of its holding company, or give a guarantee or provide security in connection with a loan made by any person to such a director, unless the transaction has been approved in advance by a resolution of a general meeting of the company.
2) Where the director is a director of the company's holding company, the transaction must also have been approved by a resolution of a meeting of shareholders of the holding company.
3) A resolution of the general meeting of shareholders approving a transaction pursuant to sub-articles 1 and 2 of this Article must not be passed unless a written report is submitted to it by an independent, impartial external auditor of the company indicating the nature of the transaction,

the amount of the loan, the purpose for which it is required, and the extent of the company's liability under any transaction connected with the loan.

Art. 308. --- Decisions of the board of directors

1) No decision may be taken by the board of directors unless a majority of directors is present. Unless a greater vote is required by the memorandum of association of the company, decisions shall be taken by the majority vote of directors who are present personally and by proxy. Absent a provision to the contrary in the memorandum of association, in case of tie, the chairperson of the board of directors shall have casting vote.

2) Decisions of the board shall be drawn up as minutes and shall be signed by directors who were present and a secretary. The minutes shall be kept in a minute book.

3) Copies of decisions shall be signed by the chairperson and a secretary.

Art. 309. --- Conduct of Board Meeting by Electronic Means

1) Directors may participate in a board meeting by video conference or other means of telecommunications unless the memorandum of association prohibits that. The technology shall enable to identify the identity of the participants and their ensure effective participation. The means of communication shall meet technical requirements allowing continuous and simultaneous transmissions of the proceedings.
2) Directors who are unable to present physically under sub-article 1 of this Article may vote orally.
3) The board may not pass a valid decision at a meeting held pursuant to sub-article 1 of this Article unless at least one third of its entire membership is physically present at the meeting.
4) The memorandum of association may restrict the nature of decisions that may be taken at a meeting held under conditions stipulated in sub-article 1 of this Article.

Art. 310. --- Proxy

1) Unless otherwise provided by the memorandum of association, a director may be represented at a board meeting by another director. The proxy may be given by a letter, fax or electronic mail.

2) Each director may have, during the same meeting, only one proxy.
3) The provisions of this article are applicable to permanent representatives of legal entities.

Art. 311. --- Register of persons affiliated with a company

1) Every share company shall keep at its head office a register of its directors, managers, members of supervisory board, auditors, company secretaries and person indicated under Art. 306 (6) (b), (c) and (f) of this Code with particulars as to their civil status, profession, interests in other companies or concerns, occupation, and directorship or other responsibility, if any, assumed in other companies or concerns, and any other necessary particulars.
2) Where there are changes in the particulars entered in the register, the concerned director, member of supervisory board, auditor and secretary of the company shall notify to the head office of the company within fifteen days from the date he knew of such changes.
3) Shareholders and agents of government authorities may consult the register free of charge. Other persons may consult the register upon payment of prescribed fee.

Art. 312. --- Disclosure of ownership interest

A company whose shares are open to the public (Art 258 to 260) shall disclose all individuals or entities who individually or jointly with other persons having shared interest (members of the same family, or affiliated companies) who hold shares representing 5% or more of the capital of the company. The company shall report to the Ministry of Trade and Industry or another appropriate office the names of such shareholders and the amount of their shareholding.

Art. 313. --- Register of shares and debentures held by the directors

1) Every company shall keep at its head office a register showing the number and value of shares and debentures held by each director in the:
a) in the company;
b) in subsidiary company;
c) in any holding company of which the company is subsidiary.

2) The register and any other documents to be submitted at the general meeting shall be open to inspection by any share or debenture holder before the annual general meeting.
3) The register shall be available at the annual general meeting for inspection by any member attending the meeting.
4) The register shall be open to inspection by an appropriate government authority at any time and may take extracts or a copy of the register.

Art. 314. --- Statements regarding remuneration of directors and managers

1) Statement submitted to an annual general meeting shall indicate total remuneration paid to each director and general manager, the amount of remuneration paid from time to time and other in kind benefits given to them.
2) The statement submitted to the annual general meeting shall clearly show if there is loan or security extended to the directors and the general manager.

Art. 315. --- Powers and Responsibilities of the Board

Directors shall be responsible for exercising duties imposed on them by law, memorandum of association, and resolutions of general meetings of shareholders. Without prejudice to the generality of the foregoing, the board of directors shall:-
(1) Manage the company's financial situation with a view to ensuring the company has adequate capital and liquidity.
(2) Ensure that the company´s governance arrangements are such as to ensure the proper monitoring of the company's financial statements and positions.
(3) Make certain that sufficient procedures for risk management and internal control are established.
(4) Provide to the supervisory board, if any, all information needed for the performance of the duties of the supervisory board.

(5) take all steps within the power of the directors to prevent or to mitigate acts which are prejudicial to the company.

(6) In addition to the foregoing provisions of this Article directors shall be responsible for:

(a) keeping regular records of the meetings of the board of directors and shareholders, accounts and books, registers of shareholders and directors, and other necessary documents;

(b) ensuring submission of accounts and books to auditors when required;

(c) submitting to an annual report of the company's operations including a financial statement to the general meetings of shareholders;

(d) convening meetings as provided in this Code or memorandum of association;

(e) convening an extraordinary general meeting without delay where three quarters of the capital is lost due to bankruptcy;

(f) setting up the reserve funds required by this Code or memorandum of association or resolution of general meeting of shareholders;

(g) applying to the court where the company stops payments with a view either to a composition with creditors or the winding-up of the company.

Art. 316. --- Duty of Loyalty

1) Directors shall act in the way they consider, in good faith, would be most likely to promote the success of the company. They shall act for the benefit of shareholders of the company as a whole.
2) In the discharge of the duty under sub-article (1) of this article, a director shall have regard to the long-term interests of the company, the interests of the company's employees, the interest of company's creditors and the impact of the company's operations on the community and the environment.

Art. 317. --- Duty to Exercise Independent Judgment

1) A director of a company must exercise independent judgment in the exercise of his responsibilities.
2) This duty is not infringed by his acting—

a) in accordance with an agreement duly entered into by the company that restricts the future exercise of discretion by its directors, or

b) in a way authorized by the company's memorandum or in accordance with the resolution of the general meeting of shareholders.

Art. 318. --- Duty of Care

1) A director of a company shall discharge his responsibility with care, skill and diligence. The director shall be liable for damages caused to the company and shareholders due to lack of care or diligence on his part.

2) In this regard, the responsibility of the director shall be measured in terms of care and skill that a director of a company must exercise as well as diligence that may reasonably be expected of a person carrying out the functions of a director of the company.

Art. 319. --- Restrictions on private trade

Unless authorized by a general meeting, directors may not be partners with joint and several liability in rival business entities nor compete against the company either on their own behalf or on behalf of third parties.

Art. 320. --- Avoidance of conflict of interest

1) A director of a company shall avoid a situation in which he has a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company.
2) The prohibition under sub-article 1 of this Article shall apply in particular to the exploitation of any property, information or business opportunity regardless of whether the company could take advantage of the property, information or opportunity.
3) A person who ceases to be a director continues to be subject to the duty to avoid the exploitation of any property, information or business opportunity of which he became aware at a time when he was a director.

4) This duty under this Article does not apply to a conflict of interest arising in relation to a transaction or arrangement with the company.
5) A director may be exonerated from the prohibition under this Article where the matter has been authorized by the board of directors or the general meeting of shareholders pursuant to the relevant provisions of this Code.

Art. 321. --- Duty to disclose conflict of interest

1) Each director shall inform the board of directors of any situation that may involve a conflict of interest between his own and the company's interest.
2) Where a director of a company is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the company, he shall declare the nature and extent of that interest to the other directors.
3) Where a director of a company is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the company, he shall declare the nature and extent of the interest to the other directors.
4) Any declaration required by the foregoing sub-articles of this Article shall be made as soon as is reasonably practicable.

Art. 322. --- Benefits from third parties

1) A director of a company may not without consent of the disinterested directors or the shareholders accept a benefit from a third party conferred by reason of his or her being a director, or his doing, or not doing, anything as a director.
2) The prohibition under sub-article 1 of this Article may not apply where the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest.
3) A person who ceases to be a director of a company continues to be subject to the duty under sub-article (1) of this article.

Art. 323. --- Limitation on voting

1) A director shall be disqualified from voting at a board meeting on any matter regarding which approval of the board is required to prevent conflict of interest such as regarding a proposed agreement between the director and the company and benefits from third parties.
2) A director shall likewise be disqualified from voting on a matter pertaining to a contract between the company and a third party indicated under Art. 311 of this Code or any other person if the director is to derive an essential benefit from the matter.

Art. 324. --- Powers of the Board

1) The board shall have such powers are given to it by law, the memorandum of association and resolutions passed at general meetings of shareholders.
2) The memorandum of association shall specify whether the directors are jointly responsible as managers and agents of the company or whether one only of the directors is responsible.
3) Persons authorized to act as agents for the company may exercise in its name their powers as agents. Any restriction on their powers may not affect third parties acting in good faith.

Art. 325. --- Liability of directors to the company

1) Directors shall be jointly and severally liable to the company for damages caused by failure to carry out their duties.
2) Directors shall be responsible for showing that they have exercised due care and diligence.

Art. 326. --- Provisions protecting directors from liability

1) Any provision that purports to exempt a director of a company, to any extent, from any liability that would otherwise attach to him in connection with any negligence, breach of duty or breach of trust in relation to the company is void.
2) Any provision by which a company directly or indirectly provides an indemnity, to any extent, for a director of the company against any liability attaching to him in connection with any negligence, breach of duty or breach of trust in relation to the company of which he is a director is void.

3) Sub-art. (1) and (2) of this Article apply to any provision, whether contained in a company's memorandum of association or in any contract with the company or otherwise.

4) Nothing in this article prevents a company from maintaining indemnity insurance for directors from liability.

5) A company may provide funds for the legal defense of directors in an action against them by administrative bodies, creditors, shareholders and the company itself subject to refund in case the directors lose the case.

Art. 327. --- Defenses

1) A director who makes business judgment in good faith may not be liable for damages to the company where he:-

a) is not interested in the subject of the business judgment;

b) is informed with respect to the subject of the business judgment to the extent that the director reasonably believes to be appropriate under the circumstances and

c) reasonably believes that the business judgment is in the best interests of the company.

2) A director may not be liable where he has dissented from the action which is taken by the board and has notified the auditor of the decision as soon as possible.

3) A director may not be liable for damages to the company where the action was taken on the basis of a resolution of the general meeting of shareholders, provisions of the memorandum of association or the law.

Art. 328. --- Proceedings to enforce the liability of directors

1) A company may not institute proceedings against its directors in connection with their responsibility without a resolution of a general meeting of shareholders to this effect. Such a resolution may be moved and adopted by the general meeting although not on the agenda.

2) Where a resolution under sub-art. 1 of this Article is adopted but the company fails to institute proceedings within three months, the shareholders representing at least ten percent of the capital may jointly institute proceedings in the name of the company.

3) Notwithstanding the provisions of sub-art. (1) and (2) of this Article, where a company has made an agreement, whether directly or indirectly, with a director, a member of supervisory board or general manager of the company or persons listed under Art. 311 (6) of this Code, which is not in accordance with the provisions of this Code has caused damage to the company, shareholders representing ten percent of the capital of the company may directly institute proceedings against the directors who have failed to discharge responsibility imposed on them under this Code.

4) A company shall show documents and evidence necessary to institute the proceedings to shareholders who seek to institute proceedings pursuant to sub-art. 2 and 3 of this Article. In particular, the shareholders are entitled to inspect agreements that they assume to have involved conflict of interest and supporting documents thereto.

5) The company shall refund the costs of the proceedings instituted under sub-art. 2 or 3 of this Article to the shareholders, regardless of the outcome of such proceedings so long as the suit was instituted in good faith.

6) A company may decide not to institute proceedings against the directors and to compromise. However, a resolution not to institute proceedings and to compromise may not be adopted where a general meeting of shareholders representing ten percent of the capital of the company votes against the resolution.

Art. 329. --- Liability to creditors

1) Directors may be liable where the company continues its business at a time when the directors knew or ought to have concluded that there was no reasonable prospect of the company being able to pay its creditors.
2) Directors shall be liable to the company's creditors where they fail to preserve intact the company's assets.

3) The company`s decision not to institute proceedings against the directors may not affect the creditor`s rights to sue such directors.

Art. 330. --- Proceedings instituted by shareholders and third parties

Nothing in this Section shall affect the rights of shareholders or third parties who have been injured directly personally by the fault or fraud of the directors.

Art. 331. --- Supervisory Board

1) A company may determine to have a supervisory board in a memorandum of association.

2) The supervisory board shall have not less than three nor more than five members appointed by a general meeting of shareholders.

3) The general meeting may revoke the appointment of members of the supervisory board at any time. A member of the supervisory board is not entitled to be reinstated into his position even where he has been dismissed without good cause. However, such member may be reappointed by a general meeting of shareholders.

4) Only shareholders may be elected as a member of supervisory board.

5) The supervisory board is accountable to the general meeting of shareholders.

6) Members of the supervisory board may neither be members of the board of directors nor take part in the general management of the company.

7) The supervisory board shall elect a chairperson from among its members. In his absence, the chairperson shall delegate another member of the supervisory board to act temporarly on his behalf. Where the chairperson is unable to appoint a temporary delegate, members of the supervisory board shall elect a temporary chairperson among themselves. The supervisory board may dismiss the chairperson at any time.

8) Meeting time for the supervisory board shall be as determined in the memorandum of association.

9) The supervisory board shall keep record of its own minutes and other necessary documents.

10) The amount of remuneration and benefits to be paid to members of the supervisory board shall be determined by a general meeting of shareholders.

Art. 332. --- Powers and duties of the supervisory board

The supervisory board shall have the following powers and duties:

1) cause the submission of documents and other information necessary to discharge its responsibility, and examine the same.

2) call and lead a general meeting, where the board of directors are unable or not willing to convene such a meeting.

3) present and take part in the meeting of board of directors without voting.

4) where it knew or has reason to suspect that an act that injures the company has been committed, examine or cause to be examined the matter or, if need be, take necessary measures with the view to instituting proceedings.

5) undertake supervision to ensure that directors and other members of the management are discharging their responsibilities properly; where it has been ascertained that they have committed an act that jeopardizes the interests of the company, demand that corrective measures be taken; recommend, as appropriate, to the board of directors or general meeting of the company for the removal of those who have failed to discharge their responsibilities properly.

6) supervise as well as cause to be examined the financial affairs of the company.

7) submit report to the general meeting.

8) carry out other functions as may be assigned to it by the memorandum of association or a resolution of general meeting.

Art. 333. --- Replacement of members of the supervisory board

1) Where, during a financial year, one or more of the members of the supervisory board have left the Board, the surviving members continue to carry out their functions until a general meeting appoints replacement. The terms of office of the replaced supervisory board members shall be the same as the period for which the supervisory board members who left the board had been appointed.

2) Where there are no surviving members of the supervisory board, the auditors shall discharge the responsibilities of the supervisory board.

Art. 334. --- Liability of members of the supervisory board

Notwithstanding a contrary provision, members of the supervisory board shall be liable jointly and severally for damages that may be caused to the company, shareholders or third parties as a result of failure to discharge their responsibility under the law, the memorandum of association or resolution of general meeting.

Art. 335. --- Period of limitation and other defenses

1) Claims by company, shareholders or creditors against directors, and members of the supervisory board where applicable, for damages under the foregoing articles shall be barred after two years from the date when the aggrieved party knew or ought to have known of the damage. There shall be an absolute limitation after ten years from the date when the act complained of took place.
2) Nothing in this Article shall affect cases where the liability of the directors or members of the supervisory board arises from the commission of a criminal offence.

Art. 336. --- Applicable provisions

The provisions of Art. 297, 298 and 306 of this Code shall also apply *mutatis mutandis* to members of the supervisory board.

Section 2
General Manager and Secretary

Art. 337. --- General Manager

1) A company shall have a general manager appointed by the board of directors. The general manager shall be accountable to the board of directors.

2) The board may revoke the appointment of the general manager. The general manager may not be reinstated as a general manager even where he has been dismissed without good cause. However, the board may reappoint him.

3) The general manager is an employee of the company. He may be a member of the board of directors. However, he may not be the chairperson of the board.

Art. 338. --- Powers and Duties of the General Manager

1) The general manager is responsible for the general management of the company. In the absence of a provision to the contrary in the memorandum of association, he represents it in its dealings with third parties.
2) Without prejudice to the generality of sub-article (1) of this article he may sign negotiable instruments especially commercial instruments, transferable securities and documents of title to goods.
3) He shall discharge other powers and responsibilities entrusted to him by the board of directors and the memorandum of association of the company.
4) Without prejudice to sub-articles (1) and (3) of this Article, the general manage shall also be responsible for the following:

a) Implementation of decisions passed by the board of directors;
b) Preparation of annual work plan and budget of the company and implementing the same upon approval by the board of directors; and
c) Hiring, managing and firing the employees of the company, as necessary.

Art. 339. --- Effects of restrictions on powers of the general manager

1) The decisions of the board of directors or agreements restricting the powers of the ggeneral manager not registered in a commercial register shall have effect only as between the company and the general manager.
2) The company shall be bound by the actions of the ggeneral manager based on sub-article 1 of this Article only for the benefit of third parties in good faith.

Art. 340. --- Secretary

1) A company shall have a secretary. The hiring and firing of the secretary shall be approved by the board of directors upon the recommendation of the general manager.
2) The secretary shall be accountable to the general manager.

Art. 341. --- Powers and duties of the secretary

A company`s secretary shall have the following powers and duties:
1) organize and keep information and records of the company;
2) provide reports and other necessary information to concerned body;
3) give information to shareholders and third parties;
4) organize meetings of shareholders and members of the board of directors;
5) prepare, organize and keep minutes; and
6) carry out other tasks assigned to him by the general manager and memorandum of association.

Art. 342. --- Liability of the secretary

Notwithstanding an agreement to the contrary, the secretary shall be liable to the company, shareholders or third parties for any breaches of his duties under this Code or the memorandum of association.

Section 3

Audit and Investigation by Relevant Government Authority

Art. 343. --- Appointment of auditors

1) Every share company shall have one or more independent and impartial external auditors and one or more assistant auditors. The auditors and assistant shall be elected by the general meeting of the shareholders of the company.
2) An auditor may be appointed by a shareholder or shareholders representing not less than 20% of the capital of the company.

3) A body corporate may act as auditor.

4) Auditors shall be elected by the meeting of subscribers and thereafter by the annual general meeting.

Art. 344. --- Term of appointment of auditors

Auditors shall hold office:

1) until the first annual general meeting where elected by the meeting of subscribers;

2) for three years where elected at an annual general meeting.

Art. 345. --- Persons competent

1) A person may become an auditor of a share company upon the fulfillment of the following requirements:

a) issued with a professional license from a relevant authority;

b) possession of good moral character/good moral standing;

c) not being a shareholder or an employee of the company;

d) is not one of the persons listed under Article 306 (6) of this Code.

e) compliance with other requirements set by the law or the memorandum of association.

2) A report submitted by an auditor and adopted by the general meeting may not, save in the case of fraud, by invalid merely by reason of the fact that the provisions of this Article have not been observed.

Art. 346. --- Revocation of the appointment of an auditor

A general meeting may at any time revoke the appointment of any auditor. However, he may claim damage for wrongful dismissal.

Art. --- 347. Remuneration

The remuneration of auditors shall be determined by the general meeting of shareholders.

Art. 348. --- Duties of auditors

Subject to the other provisions of this Code, the auditors shall:
1) exercise their duties on the basis of acceptable accounting principles;
2) provide accurate information;
3) give equal treatment to shareholders;
4) keep professional secrets;
5) annually verify the correctness and accuracy of the inventories, balance sheets, and profit and loss accounts, books and other financial documents;
6) certify that the report of the board of directors submitted to the general meeting of the company reflects the correct state of the company;
7) carry out such other duties as may be assigned to them in the memorandum of association or by general meeting of the company.

Art. 349. --- Report to general meetings.

1) The auditors shall submit to the general meeting their written comments on the report of the board of directors. Such report by the auditors shall also show the manner in which they have carried out their duties.
2) The auditors shall recommend to the general meeting either to approve or reject the accounts submitted by the directors.
3) The auditors shall comment on the proposal of distribution of profits submitted by the directors.
4) The general meeting may not consider the balance sheet in the absence of a report under sub-article 1 of this Article.

Art. 350. --- Auditors to inform irregularities

1) Where the auditors find irregularities or breaches of legal requirements or memorandum of association, they shall forthwith inform the supervisory board, if any, or the directors and, where grave irregularities or breaches have occurred, they shall inform the general meeting.
2) The auditors shall inform the concerned authority of any matters which would appear to disclose the commission of a criminal offence.

Art. 351. --- Calling of general meetings

1) The auditors shall call a general meeting where the directors or supervisory board fail to do so under the law or in accordance with the memorandum of association.
2) They shall call a general meeting where shareholders representing at least twenty percent of the capital so request.
3) Where there are several auditors, they may jointly call a general meeting in accordance with the memorandum of association. They may, where they think fit, fix for the meeting a place other than the company`s head office or other place laid down in the memorandum of association.
4) Where the auditors call a general meeting in accordance with this Article, they shall prepare the agenda and a report to be read at the meeting giving the reasons for calling the meeting. One of the auditors shall preside over the meeting.
5) Where the auditors disagree, one of them may apply to the court having jurisdiction in the area in which the head office is situate to exercise the powers under sub-articles 3 and 4 of this Article.
6) Expenses incurred under this Article shall be borne by the company.

Art. 352. --- Powers

1) The auditors may at any time make on the spot such audits or checks as they think necessary and may call for any information, agreements, books, accounts, minute books or such documents as may be required for the proper execution of their duties. Any person who is required to supply information shall comply.
2) Auditors shall be present at annual general meetings and any other shareholders` meetings.

Art. 353. --- Audit of the accounts of a holding company

Where, in the course of auditing the accounts of a holding company, a consolidated balance sheet of its subsidiary is also required to be audited by this Code or any other law, the auditors shall audit the accounts of the subsidiary company.

Art. 354. --- Liability of auditors

1) Auditors shall be civilly liable to the company, shareholders and third parties for any fault in the exercise of their duties which occasioned loss.
2) An auditor who intentionally gives or confirms an untrue report concerning the position of a company or fails to inform the relevant authority of a criminal offence which he knows to have been committed or divulges professional secret shall be punishable in accordance with relevant criminal law.
3) An auditor shall be liable for damage caused to the company, shareholders and third parties owing to cessation of his duties in breach of conditions provided under the law or agreement.

Art. 355. --- Investigation at the request of shareholders

1) The Ministry of Trade and Industry or any other relevant government authority may, upon the request of shareholders representing at least one tenth of the capital of the company, shall appoint one or more inspectors to make an investigation and report on whether the management of the company has acted in the manner that jeopardizes the interest of minority shareholders or that of the company.
2) The applicants shall indicate to the relevant government authority documents and information which they deem necessary.
3) The applicants shall bear expenses incurred in connection with the investigation. However, where the investigation has revealed that the allegation is true, the company shall refund the expenses to the applicants.

Art. 356. --- Investigation compulsory

A general meeting of a company or the court may request the Ministry of Trade and Industry or any other government authority authorized by law for an investigation to be undertaken on the company. The relevant government authority so requested shall appoint one or more inspectors to undertake the investigation.

Art. 357. --- Investigation by the motion of relevant government authority

The Ministry of Trade and Industry or any other government authority authorized by law may, on its own motion, appoint inspectors to conduct an investigation where it has good reason to believe that the operations of the company are such as may reveal:
1) fraud committed or likely to be committed on creditors of the company;
2) acts prejudicial to a class of shareholders;
3) illegal or fraudulent activities;
4) acts which constitute criminal offence.

Art. 358. --- Powers of inspectors on holding and subsidiary companies

Where inspectors have been appointed under Art. 355, 356 or 357 of this Code to investigate into the affairs of a company and they are of the opinion that a full investigation into the affairs of such company cannot properly be carried out without an investigation into the affairs of the holding or subsidiary company of such company, they shall report their opinions to the relevant government authority which may order the investigation be extended to the affairs of the holding or subsidiary company.

Art. 359. --- Duties of a company under investigation

1) The directors, supervisory board, if any, managers, secretary or other officers and authorized agents of any company under investigation shall, upon receipt of an investigation order, produce

to the inspectors all required books and documents and furnish all information necessary for the investigation.
2) The officers of the company mentioned under sub-article 1 of this Article who obstruct the inspectors` investigation shall be reported to the relevant government authority who appointed them. The relevant government authority that has received the report shall inform an apporpirate body to institute criminal proceedings.

Art. 360. --- Inspectors` report

On receipt of the inspectors` report, the relevant authority that has ordered the investigation shall send a copy thereof:
a) to the company whose affairs have been investigated;
b) to the shareholders who petitioned for investigation;
c) to the court which ordered an investigation.

Art. 361 --- Investigation regarding nominees

1) Where the relevant government authority has good reason to believe that registered shareholders are only nominees of the persons who exercise effective control of a company, the authority may appoint inspectors to ascertain the real owners of the shares.
2) The relevant government authority may order an investigation under sub-article 1 of this Article at the request of shareholders representing one tenth of the shares issued.

Chapter 5
Shareholders` Meetings
Section 1
General provisions

Art. 362. --- General rule

1) A general meeting of shareholders is the highest decision making organ in a company in which all shareholders take part.

2) Shareholders may take part in an annual general meeting in person or through electronic means or where all shareholders agree, a decision may be taken by asking the shareholders to state their position on a text of resolutions in writing or through electronic means without calling a meeting.

Art. 363. --- Rights inherent in membership

1) Notwithstanding the provisions of sub-article 1 of Article 391 of this Code, no shareholder may be deprived without his consent of the rights inherent in membership.
2) Rights inherent in membership are rights, under the law or the memorandum of association, do not depend upon decisions of the general meeting or board of directors or which are connected with the right to take part in meetings, such as the right to be a member, to vote, to challenge a decision of the company or to receive dividends and a share in a winding-up.

Art. 364. --- Protection of minority shareholders against injury

Without prejudice to the rules that provide for the creation of preferred classes of shares, a general meeting may not pass a resolution which may have a clear effect of giving undue benefit to some shareholders.

Art. 365. --- Classes of meetings

1) Shareholders` meetings may be general or special.
2) General meetings are ordinary or extraordinary and comprise shareholders of all classes.
3) Special meetings comprise only shareholders of a special class.

Art. 366. --- Calling meetings

1) General meetings are called by the directors, supervisory board, if any, the auditors, the liquidators or, where appropriate, by the court.

2) Notwithstanding the provisions of sub-article 1 of this Article, the Ministry of Trade and Industry or any other relevant government authority may, on its own motion or upon a request by any interested person, call a general meeting where there is a compelling reason and that the meeting under sub-art. (1) of this Article could not be called or would take longer time to do so.
3) Upon a request of shareholders representing one fifth of the share capital, the court of the place where the head-office is situate may, where it is of the opinion that the request is appropriate, appoint a representative to call a meeting and to draw up the agenda for consideration.

Art. 367. --- Mode of calling

1) Notices calling meetings shall be issued in accordance with the memorandum of association and shall be published in newspaper having nation-wide circulation.
2) Where all shareholders are registered in the register of shareholders, the meeting may, instead of notices indicated in sub-article 1 of this Article, be called at the company`s expense through a registered letter or an e-mail address, given by the shareholder for this purpose, or any other reliable electronic method sent to each shareholder.
3) Even where a company has bearer shares, where a shareholder with a registered share requests the company in writing that notices be issued to him through a registered letter or an e-mail address or any other reliable electronic method, he shall be notified of meetings through the mode he has chosen at his own expense.
4) Where it is suitable for the conduct of business and the shareholders, the memorandum of association may provide that notices calling meetings be issued in a manner other than those provided in the foregoing provisions or through electronic method.

Art. 368. --- Ordinary meetings called by reason of lack of quorum

Where an ordinary general meeting has been unable to function for lack of the quorum, a second meeting shall be called in the same manner and within the same period of time as the first meeting.

Art. 369. --- Extraordinary meetings or special meetings called by reason of lack of quorum

Where for lack of the quorum an extraordinary or special meeting has been unable to function, a second and a third meeting, if necessary, shall be called at one week`s interval in accordance with Art. 366 and 367 of this Code.

Art. 370. --- Time of notice of meetings

Notices for first general or special meeting shall be given twenty four days before the date of such a meeting.

Art. 371. --- Contents of notices of meetings

1) Notices of meetings shall indicate the company`s name, the nature, capital and head office of the company, the place where and time within which bearer shares, if any, are to be deposited, place and time of meeting as well as the agenda of the meeting.
2) Notices of subsequent meetings made necessary by lack of quorum shall, in addition to items indicated under sub-art. (1) of this Article, give the dates of the abortive meeting.

Art. 372. --- Agenda

1) Notwithstanding sub-art. (1) and (2) of Article 371 of this Code providing for calling of a meeting by the court or relevant government authority, the agenda shall be prepared by the person calling the meeting.
2) Notwithstanding sub-art. (1) of this Article, shareholders representing five percent of the capital of the company are entitled to additional agenda for consideration at the meeting. They shall submit their request in writing for additional agenda to the body that called the meeting, as much as practicable, before notices of the meeting are issued, or within three days from the date of issuance of the notice pursuant to Art. 370 of this Code.

3) Unless otherwise provided in the memorandum of association, only items on the agenda may be discussed. However, the meeting may at any time appoint and revoke the appointment of directors.
4) Subsequent meetings made necessary by lack of quorum and called in accordance with Articles 368 and 369 of this Code may only discuss items on the agenda of the first meeting.

Art. 373. --- Proxy

1) A shareholder who is unable to present at a meeting may take part in and vote through a proxy. Where a shareholder has appointed a proxy, he may not vote in person.
2) The representation of a share or joint holders of shares, usufruct on shares and pledgees is provided for in Art. 271 and 272 of this Code.

Art. 374. --- Requirements in respect of conduct of business

1) A meeting is not legally constituted for taking decisions where there is not a quorum and a majority.
2) The quorum in relation to the capital is as laid down for each class of meeting under this Code. For all meetings, the quorum shall be calculated on all the shares making up the capital, less these shares which carry no voting rights under the law.
3) The memorandum of association may not vary the provisions of this Code relating to majority and quorum.

Art. 375. --- Shares redeemed by the company carry no voting rights

A company may not vote with shares which it has redeemed under Art. 275 of this Code.

Art. 376. --- Period of time for registration of shares

The memorandum of association may determine the period of time within which the holders of registered shares shall be entered in the company`s register and bearer shares deposited.

Art. 377. --- Proxy

The form of proxy, the place where and the time within which they shall be deposited shall be determined by the board of directors. Such period of time may not expire more than three days before the meeting.

Art. 378. --- Attendance sheet

1) An attendance sheet shall be kept for each meeting. It shall show the names and address of shareholders present or represented by proxy and the number of shares and votes held by each shareholder.
2) The attendance sheet shall be initialed by the shareholders or their proxies present at the meeting, and shall be certified as correct by the company`s secretary.

Art. 379. --- Chairperson

1) The chairperson of the board of directors shall preside at all meetings. In his absence, the deputy chairperson or, in the absence the deputy chairperson, the senior director or, in the absence of the senior director, he who is elected by the general meeting shall preside.
2) Where the meeting has been called by the supervisory board, the auditors or an officer of the court or another government authority mandated by law or a liquidator, the person calling the meeting shall preside.

Art. 380. --- Tellers

1) The two members of the meeting who hold or represent the greater number of shares shall be appointed tellers, where they are willing to accept such appointment.

2) Where shareholders who may be able to serve as a teller under sub-art. (1) of this Article are not willing to serve in that capacity or the shareholders present at the meeting seek to elect another person, the meeting shall elect two tellers at the beginning of such meeting.

Art. 381. --- Right to inspect or take documents

1) Every shareholder may at all times inspect and take copies of the following documents kept at the head office:
a) balance sheet, profit and loss accounts and inventories;
b) reports submitted by the directors and by the auditors to the general meetings relating to the three preceding financial years;
c) minutes and attendance sheets of these meetings;
d) a resolution to be submitted to the meeting;
e) a register of persons affiliated with the company indicated under Art. 311 of this Code.
f) the name of the highest paid person in the company and the total amount of payment effected to such a person in the financial year.
g) a register of shareholders of the company.
2) A shareholder is entitled to inspect or take copies of such documents by applying to the Ministry of Trade and Industry or any other concerned government authority where a company refuses to comply with the provisions of sub-art. (1) of this Article.
3) The rights to inspect and take copies of documents under this Article are enjoyed by joint holders of shares, usufructuaries and pledgees.

Art. 382. --- Right to access additional information

1) Where a shareholder requests, in addition to documents specified under Art. 386 of this Code and the provisions of other laws, access to additional information which is necessary to take a position on the agenda submitted for a general meeting, the board shall give him access to the same. However, the board may refuse to provide such information where disclosure of the information is prohibited by law or doing so would in its opinion cause significant damage to the company.

2) Where the board fails to give information under sub-art. (1) of this Article, the shareholder who has made the request may institute court proceedings. The court shall order the board to give the information requested unless the company shows that it has good cause for not disclosing the information.
3) Where a company is a member of a group of affiliated companies, its obligation to provide information shall also extend to the other members of the affiliated companies. Where the company is a holding company or has direct or indirect effective control over other companies, the obligation to give information shall include the accounts of members of the related group as well as information to be given by their subsidiaries under sub-art. (1) of this Article.

Art. 383. --- Voting rights

1) The voting rights attached to a shareholder with ordinary or dividend shares shall be in proportion to the amount of capital represented.
2) Unless there are legal conditions depriving voting right, every share carries one vote.

Art. 384. --- Limitation of votes

The memorandum of association may limit the highest number of votes which shareholders may exercise at meetings. However, such limitation shall be equal for all shares without distinction of class.

Art. 385. --- Conflict of interest

1) Where the interests of a shareholder, acting on his own behalf or on behalf of a third party, conflict with the interest of the company on a matter, such shareholder may not exercise his right to vote with regard to such matter.
2) In particular, directors may not vote on resolutions relating to their duties and liabilities.
3) Shares which are deprived of voting rights under sub-art. (1) and (2) of this Article shall be taken into account in calculating the quorum.

4) Where failure to comply with the provisions of sub-art. (1) and (2) of this Article results in a resolution being adopted prejudicial to the company, such resolution may be set aside in accordance with the provisions of Art. 396 of this Code.

Art. 386. --- Provisions restricting the free exercise of voting rights invalid

Any provision restricting or likely to restrict the free exercise of voting rights in shareholders` meetings shall be of no effect.

Art. 387. --- Minutes

1) Discussions at meetings shall be reduced to minutes. The minutes shall be signed by board of directors and the company`s secretary present at the meeting and entered in a minute book. Such entry shall be certified as correct by the chairperson of the board of directors of the company or by two other directors.

2) Notwithstanding the provisions of sub-art. (1) of this Article, three shareholders among shareholders present at the meeting may be elected prior to commencement of conduct of the business of the meeting to sign and certify, in place of the directors and the company`s secretary, the entry of the discussions and resolutions passed in the minutes as correct. Such type of election may be made notwithstanding that that was not an item on the agenda of the meeting.

3) The minutes of a meeting shall in particular include:

a) the manner in which the meeting was called;

b) the place and date of the meeting;

c) the agenda;

d) members of the board of directors present at the meeting;

e) the number of shares represented and the quorum;

f) the documents laid before the meeting;

g) a summary of the discussions;

h) the results of votes taken;

i) the texts of resolutions adopted.

4) Where a meeting lacks a quorum, the chairperson shall cause this fact to be reduced to minutes.

Art. 388. --- Copies or extracts of the minutes

Copies or extracts of the minutes are acceptable where such copies or extracts are certified as correct by the chairperson of the board of directors or by two other directors present at the meeting.

Art. 389. --- Adjournment of meetings

1) Where shareholders representing at least one third of the capital represented at a meeting consider that they have insufficient information upon the matters to be discussed, they may require the meeting to be adjourned for a period not exceeding three days.

2) The right under sub-art. (1) of this Article may be exercised once in respect of one matter.

Art. 390. --- Informal meeting of all shareholders

1) Shareholders or proxies representing all the shares may by agreement hold a meeting without observing formality for mode of calling of shareholders` meeting.

2) Where shareholders or proxies representing all the shares are present, the meeting may take any decision and adopt any resolution on any matter that falls within the scope of powers of a general meeting under this Code.

Art. 391. --- Effect of resolutions

1) Resolutions adopted by a meeting in accordance with the law or the memorandum of association shall bind all shareholders, including those who were not present or abstained or dissented or incapable or whose right to vote is deprived.

2) Any person whose interest is jeopardized by a resolution adopted contrary to the law and the memorandum of association may apply to a court to set aside such resolution within three months from the date he knew of the adoption of the resolution. However, where the resolution is entered in a commercial register, he may, regardless of his knowledge of the adoption of such a resolution, lodge the application to set aside the resolution in the court only within two months after the date of entry of the resolution in the commercial register.

3) Application to set aside resolutions shall be made to the court within whose area of jurisdiction the head office is situate.

4) On the request of the claimant and after hearing the general manager or another person representing the company in the proceedings, the court may, where it believes that the execution of the resolution would cause irreparable damage to the company or to the claimant, suspend the execution of the resolution challenged pending the court`s decision.

5) Where the court believes that the company may suffer from unjustifiable damage as a result of the order under sub-art. (4) of this Article, it may require the claimant to furnish security or deposit money which is proportionate to the damage.

6) Where a resolution is set aside, the decision of the court shall bind all shareholders.

7) Nothing in this Article shall affect rights of third parties acquired in good faith while the resolution was effective.

Section 2
Ordinary Meetings

Art. 392. --- Right to inspect documents

Without prejudice to the provisions of Art. 381 of this Code, any shareholder may, during the fifteen days which precede an ordinary general meeting, inspect or take, or request to send him at his own expense of, copies at the head office of the balance sheet, the profit and loss account and the directors` and auditors` reports as well as proposed resolutions to be submitted at the general meeting.

Art. 393. --- Period of ordinary general meetings

1) An ordinary general meeting shall be held annually within four months from the end of each financial year.
2) The four months period of time specified under sub-art. (1) of this Article, may be extended to six months by the memorandum of association.
3) Where necessary, other ordinary general meetings may be held.

Art. 394. --- Powers of ordinary general meetings

Without prejudice to other provisions of this Code, the ordinary general meeting shall have the following powers and duties:
1) amend or approve or reject, after discussion, the balance sheet, the profit and loss account as well as reports of the board of directors, reports of the auditors and supervisory board, if any, and where necessary, pass resolutions relating to the allocation of and distribution of profits and on all questions arising out of the accounts for the past financial year;
2) appoint or remove directors, members of the supervisory board or auditors as well as decide the amount of their remuneration;
3) approve the issue of debentures as well as the guarantees attached thereto;
4) approve transfer of fifty one percent or more of the assets of the company at once or within one year from the date of the first sale at different intervals; and
5) decide all matters other than those specifically reserved to extraordinary general meeting under this Code.

Art. 395 --- Dealings involving conflict of interest covering ten or more percent of the assets of the company

1) Notwithstanding the provisions of Art. 306 of this Code, dealings which involve conflict of interest covering ten or more percent of the assets of the company shall be approved by a general meeting before the making of such deals.
2) Any director, manager or shareholder with a potential conflict of interest with the company shall give to the independent and impartial external auditor of the company complete and

accurate information about the cause of conflict of interest situations, in particular, the type and extent of conflict, and like matters.

3) The external auditor of the company shall compile complete information regarding whether there exists conflict of interest, where conflict of interest exists, its cause, type, extent and the identity of the director, shareholder or any other person having affiliation with the company, and any other similar matters. The auditor shall submit the information he gathered together with his own recommendation to the general meeting before the making of the agreement.

4) A director or any other person, who stands to benefit from an agreement involving a conflict of interest with the company, may not vote at the general meeting considering the approval of such agreement, even if he happens to be a shareholder.

5) The directors of the company shall compile a report containing detailed information regarding the related-party transaction involving conflict of interest that falls under this article and submit it, at the latest within 72 (seventy two) hours from the approval by the general meeting to the Ministry of Trade and Industry or any other appropriate government organ and post the report on the website of the company. The report shall contain the following:

a) a description that can help clearly identify the property to be sold or purchased;

b) the nature and amount of consideration to be paid and

c) the name of the director, shareholder or any other person having close relationship with the company involved in the related party transaction, a clear discerption of the direct or indirect ownership interest in the company and the entity engaging in the transaction with it, that could give rise to conflict of interest.

6) An agreement which is not approved in advance by a general meeting of shareholders and reported as per sub-art. (1 to 5) of this Article shall be of no effect. The court may order the invalidation of the agreement upon the application of the company, shareholders or creditors. The court may confirm the agreement if it is manifestly clear that the upholding of the contract is in the best interest of the company.

7) Where an agreement involving a conflict of interest is invalidated in accordance with sub-art. (6) of this Article, the company shall be entitled to damages for harm caused by the agreement. The director or shareholder or any other person having an affiliation with the company pursuant to sub-art. (6) of Art. 306 of this Code shall also pay to the company profits obtained as a result of the agreement together with legal interest.

Art. 396. --- Appointment of special investigator

1) A shareholder or shareholders may propose to an ordinary general meeting the appointment of a special investigator who shall submit a report which evaluates the effect on the company and shareholder of specified activities of the company as well as the appropriateness of such activities in light of good business practice and the law. This proposal shall at least indicate:

a) reason for the appointment of the special investigator and

b) scope of the investigation.

2) A company or a person who renders services to the company or is a member of a group to which the company belongs may not be appointed as a special investigator where due to such relation conflict of interest is likely to arise.

3) Where the ordinary general meeting has rejected the proposal, shareholders representing one tenth of the capital of the company may apply to the court. The court shall order the ordinary general meeting of the company to appoint a special investigator. Where the company shows that the scope of the investigation as requested would seriously jeopardize the interest of the company or third parties, the court may amend the scope of the investigation to avert such damage.

4) The special investigator shall submit a written report on the results of his investigation. The results of the investigation shall be submitted to the ordinary general meeting. Shareholders may take copies of the report.

5) The shareholders who have requested the investigation shall cover the remuneration to be paid to the special investigator.

6) A proposal for an appointment of a special investigator shall be submitted to the board of directors of the company three days before an ordinary general meeting.

Art. 397. --- Right to take part in ordinary meetings

1) Notwithstanding any provision to the contrary, any shareholder has the right to take part in ordinary meetings without regard to the number of shares held.

2) Unless otherwise provided in the memorandum of association, any shareholder may be represented by another person, whether a shareholder or not.

Art. 398. --- Majority and quorum

1) Where first called, ordinary general meetings shall be composed of that number of shareholders which represents either in person or by proxy at least one-quarter of the voting shares.
2) Quorum shall be reckoned based on the amount of capital represented, not by the number of shareholders or by the number of shares. Where the meeting is called in accordance with the law and is represented by the required amount of capital, it may pass a resolution. In particular, the mere fact that some shareholders are not willing to attend the meeting may not preclude the general meeting from discharging its responsibility.
3) When called for a second time, the meeting may be held and discussions made without regard to the number of voting shares representing the capital.
4) Decisions are taken by a simple majority of shares representing the capital. In the determination of majority vote, abstentions and blank ballots, if any, shall be disregarded.

Section 3
Extraordinary General Meetings

Art. 399. --- Right to inspect documents

The provisions of Art. 381 of this Code pertaining to the right of shareholders to inspect and take copies of a company`s documents before an ordinary general meeting shall also apply, *mutatis mutandis*, to extraordinary general meetings.

Art. 400. --- Power of an extraordinary general meeting

An extraordinary general meeting shall have the following powers and duties:
1) amend the memorandum of association of the company;

2 increase or reduce the capital of the company;
3) change the nationality of the company;
4) decide dissolution, conversion, division or amalgamation of the company;
5) decide all other matters specifically assigned to the meeting by the law or memorandum of association.

Art. 401. --- Right to take part in extraordinary meetings

Notwithstanding any provision to the contrary, any shareholder has the right to take part in extraordinary general meetings without regard to the number of shares held.

Art. 402 --- Majority and quorum in extraordinary general meetings

1) Not less than a two-thirds majority of voting shares represented is required for a resolution to be adopted in an extraordinary meeting. Abstentions and blank ballots shall be disregarded in reckoning the majority vote.
2) Resolutions an extraordinary meeting to change the nationality of the company shall only be adopted where the holders of all shares having voting rights are present or represented and the vote is unanimous.
3) An extraordinary general meeting may not pass a resolution compelling a shareholder to increase his investment in the company. Except the case of increase of the capital of the company from the legal reserve or profits which may be distributed, the consent of all shareholders shall be required to increase the capital of the company by increasing the par value of the existing shares.
4) Resolutions other than a resolution under sub-art. (2) of this Article may only be adopted:
a) at first meeting, where not less than one half of the holders of all shares having voting rights are present or represented;
b) at a second meeting, where not less than one third of the holders of all shares having voting rights are present or represented;
c) at a third meeting, where not less than one tenth of the holders of all shares having voting rights are present or represented;

Art. 403. --- Right to leave the company

1) Shareholders dissenting from resolutions relating to change of business purposes or conversion or amalgamation or division of the company may leave the company.
2) Where shareholders decide to leave the company pursuant to sub-art. (1) of this Article, they shall notify the general manager of the company such decision through a letter or electronic means:
a) within three days from the end of the meeting, in case of shareholders who were present at the meeting which adopted the resolution;
b) within fifteen days from the date of the publication of the resolution in newspaper having nation-wide circulation, in case of shareholders who were not present at the meeting that passed the resolution.
3) Shareholders who have decided to leave a company shall be paid the average market value of their shares within six months before the meeting where the price of the shares are determined by the market, or in the absence of the market, the value of such shares fixed taking into account the extent of their shares represented in the company`s balance sheet for the past financial year.
4) Any provision or resolution which extinguishes or deprives or obstructs the exercise of the right to leave a company under this Article shall be of no effect.

Section 4
Special Meetings

Art. 404. --- Cases where special meetings are to be called

A resolution of a general meeting to modify the rights of a class of shareholders becomes effective only when approved by a special meeting of the shareholders in the class concerned in accordance with Art. 406 of this Code.

Art. 405. --- Right to inspect documents

The provisions of Art. 381 of this Code shall also apply to a special meeting.

Art. 406. --- Quorum and majority in special meetings

1) Special meetings shall be composed:
a) at a first meeting, of shareholders holding not less than one half of all voting shares;
b) at a second meeting, of shareholders holding not less than one third of all voting shares;
c) at a third meeting, of shareholders holding not less than one quarter of all voting shares;
Shareholders may be represented by proxies.
2) The provisions of sub-art. (1) of Article 402 of this Code shall apply to special meetings.

Chapter 6

Debentures

Art. 407. --- Definition

1) A debenture is a transferrable debt instrument whereby the issuing company undertakes to guarantee the debenture holder to pay a fixed interest to the latter for a specified period of time and to repay him the loan upon maturity date.
2) Debentures with equal par value and the same issue time give equal rights to the debenture holders.

Art. 408. --- Cases where debenture issue is permitted
A share company may borrow money through issuance of a debenture where:
1) its capital is paid-up fully;
2) it has been in business at least for one year and has issued a balance sheet in respect of that financial year approved by its general meeting.

Art. 409. --- Maximum amount of the issue
1) Debentures issued by a company may not exceed the amount of paid up capital shown in the last adopted balance sheet.

2) Notwithstanding the provision of sub-art. (1) of this Article, a company may issue debentures that exceed the amount of paid up capital shown in the last balance sheet where:

a) where the company`s immovable property is mortgaged and the debentures issued do not exceed two thirds of the value of the mortgage;

b) where the excess over the paid-up capital is guaranteed by registered securities or securities issued or guaranteed by the State and the date of redemption is not earlier than that of the debentures; or by government or public authorities annuities.

3) The securities given pursuant to sub-art. (2) of this Article shall be deposited in a bank until full repayment of the value of the debentures. Such part of the annuities shall be blocked in a bank unto the time of repayment as is necessary to meet payments of interest and amortization.

4) The provisions of sub-art. (1) of this Article may not apply to real estate loan or agricultural mortgage companies.

Art. 410. --- Obligations of debenture issuing company

1) Debentures redeemed by the issuing company shall be canceled; they may not be resold.

2) A company which has issued debentures may reduce its capital only in proportion to debentures cancelled upon payment to the creditors of their value and interest thereto.

Art. 411. --- Reduction of capital by debenture issuing company

Notwithstanding the provisions of Art. 410 sub-article (2) of this Code, where a reduction of capital is necessary owing to losses, the amount of the legal reserve shall continue to be calculated on the basis of the capital existing at the time of issue for so long as the capital and the legal reserve are less than the value of the unredeemed debentures.

Art. --- 412. --- Part value of debentures

1) Debentures may be issued at a price greater than their par value.

2) Debentures may not be issued at a price lower than their par value except in accordance with special laws.

Art. 413. --- Contents of debenture certificate

A debenture certificate shall contain the following particulars:

1) the company`s name, its objects, the head office of the company and place where the company was registered in a commercial register;
2) when the company was formed and for how long;
3) the paid-up capital on the date of issue;
4) the date of resolution of the general meeting to issue and its entry in the commercial register;
5) the serial number and nominal value of the certificate, the rate and date of interest payments and the terms of redemption;
6) the amount of issue and the special guarantees attaching to the debentures and the date of the deed setting up such guarantees;
7) the amount of debentures or loan stock issued previously and not amortized, indicating the guarantees attaching thereto;
8) where appropriate, the period or periods of time within which debenture holders may convert their debentures into shares, and the provisions for such conversion.

Art. 414. --- Application of provisions relating to shares.
The provisions of this Code concerning indivisibility, form of issue, transfer and defenses relating to shares shall apply *mutatis mutandis* to debentures.

Art. 415. --- Debenture holders` meetings
1) Holders of debentures of a given issue may combine as a legal personality to protect their common interest as provided hereinafter.
2) Notwithstanding any provision to the contrary, debenture holders who have combined under sub-art. (1) of this Article may at any time meet in general meeting.

Art. 416. --- Calling and holding of debenture holders` meetings
1) A meeting of debentures holders may be called by the company or by the representative of the debenture holders, if any, or debenture holders representing twenty percent of the issued and unredeemed debentures.
2) The provisions of this Code relating to the calling and holding of shareholders` general meetings shall also apply *mutatis mutandis* to the calling and holding of debenture holders` meetings.

3) Directors, members of the supervisory board or auditors or employees of the company having issued debentures or of companies having guaranteed such issue may not represent debenture holders in general meetings.

4) Holders of debentures which have been redeemed by the company may not take part in meetings.

5) The company which has redeemed debentures may not take part in the debenture holders` meetings. A company which holds more than thirty percent of the capital of the company which has issued the debentures may not take part in the debenture holders` meeting.

6) The calling and holding of general meetings of debenture holders shall be at the expense of the debtor company.

Art. 417. --- Powers of debenture holders` meetings

1) Meetings may adopt resolutions to protect the interests of debenture holders, to enforce the loan agreement and to provide for all necessary expenses in connection therewith.

2) Resolutions adopted by debenture holders` meetings bind all debenture holders, whether absent or dissenting.

Art. 418. --- Decisions on proposals by the company

1) Without prejudice to the generality of the provisions of sub-art. (1) of Article 417 of this Code, the general meeting may also consider proposals of the debtor company relating to:

a) modification in the structure of the company or its business purpose;

b) amalgamation with another company or its division into one or more companies;

c) issue of debentures having priority over existing debentures.

2) The company may enforce proposals under sub-art. (1) of this Article notwithstanding that the debenture holders` meeting does not approve such proposals: Provided that the company shall in such a case redeem within three months from such proposals having become effective the debentures of such debenture holders as may so request.

3) The meeting may also consider proposals relating to variations in the terms of the loan.

4) The meeting may not increase the liability of the debenture holders by imposing additional payments or agree to conversion of debentures into shares, except by unanimous vote, nor provide for differential treatment amongst the debenture holders.

Art. 419. --- Conditions for the validity of decisions

1) A meeting may take the decisions where its members representing not less than one-thirds of the debentures with voting rights are present or represented through proxies or take part through electronic means.

2) For matters to be decided under Art. 418 of this Code, three-quarters of the debenture holders shall be present or represented through proxies or take part through electronic means.

3) Where the quorum under sub-art. (1) and (2) of this Article is not attained at the first meeting, a second meeting shall be called in the same manner and within the same period of time. The notice calling shall contain the same agenda, showing the date and outcome of the abortive meeting. The second meeting may make decisions regardless of the number of debentures present.

4) Notwithstanding the provisions of sub-art. (3) of this Article, for matters to be decided under Art. 423 of this Code, where quorum of one-half is not attained at the second meeting, a further meeting shall be called in the same manner and within the same period of time. Such meeting may make decisions where one-quarter of the debentures are present or represented.

Art. 420. --- Majority

1) Resolutions may be adopted by simple majority of debentures holders present at the meeting.

2) Except conversion of debentures into shares or differential treatment amongst within the same class of debenture holders, resolutions concerning matters indicated under Art. 418 of this Code shall be adopted by a two-thirds majority of debenture holders present.

3) The voting rights of debentures shall be in proportion to the share of the loan which they represent respectively, each debenture giving the right to not less than one vote.

Art. 421. --- Confirmation of certain decisions by a court

1) A resolution adopted under Art. 418 of this Code shall be submitted to the court for confirmation within fifteen days from the meeting by the company, the representative of the debenture holders or by a debenture holder. In default of submission, the resolution shall be of no effect.

2) Debenture holders who dissented or were absent may oppose the confirmation of the resolution.

Art. 422. --- Agent of debenture holders

1) Debenture holders may be represented by one or more agents who shall be appointed by a general meeting of debenture holders having the quorum specified in sub-art. (1) and (3) of Art. 419 and a majority as specified in sub-art. (1) of Art. 420 of this Code. The meeting may at any time remove the agents.
2) The same quorum and majority shall be required for a decision on their remuneration and powers. Remuneration shall be borne by the debtor company.
3) The agents of the debentures may, in case of urgency, be appointed or replaced by the court on the application of the debtor company in the absence of appointments made by a properly constituted general meeting, or on the application of one or more debenture holders holding not less than five percent of the total debentures issued.
4) The provisions of sub-art. (3) of Art. 416 of this Code shall apply to the appointment of an agent of the debenture holders.

Art. 423. --- Powers of agents
Unless otherwise provided by the general meeting of debenture holders, agents of the debenture holders have the power to carry out the following in the interest and name of the debenture holders:
1) do all things necessary in particular accept and preserve securities guaranteeing the loan;
2) represent the debenture holders in all legal proceedings;
3) take part in shareholders` general meetings;
4) be present at the drawing of debentures for redemption.

Art. 424. --- Duties of agents in the event of the bankruptcy of the debtor company
1) Where the debtor company is adjudged bankrupt or enters into a scheme of arrangement, the agent of the debenture holders, if any, shall prove for all debenture holders thereof. He shall receive on their behalf all notices of meetings.

2) The agent of the debenture holders may, if so authorized by the general meeting of the debenture holders, vote at creditors` meetings held in accordance with rules of bankruptcy on behalf of all the debenture holders. In calculating quorum and majority at meetings of the creditors of the company, all debentures issued on the same date shall be deemed to constitute one debt.

Chapter 7

Accounts of companies

Art. 425. --- General provisions

1) Unless otherwise provided by law which requires the application of standards for drawing up international financial report or other standards of accounts, the provisions of this Chapter shall apply to share companies.
2) Unless otherwise specifically/expressly provided by law, the provisions of Book I of this Code relating to commercial books and book-keeping shall apply to the accounts of share companies.

Art. 426. --- Accounts and annual report

1) At the end of each financial year, the directors shall prepare a detailed inventory and valuation of assets and liabilities of the company.
2) The directors shall draw up a balance sheet and a profit and loss account and prepare a report on the state of the company`s activities and affairs during the last financial year.
3) The report under sub-art. (2) of this Article shall give detailed information on the profit and loss account, an exact statement of the total amount of remuneration of the directors, members of the supervisory board, if any, and auditors, and proposals for the distribution of dividends, if any.

Art. 427. --- Submission of accounts and report

The inventory, balance sheet, profit and loss account and the directors` report shall be submitted to the auditors, the Ministry of Trade and Industry or any other relevant government authority, if any, not less than forty days before the notices calling the annual general meeting are dispatched.

Art. 428. --- Drawing-up of the balance sheet and profit and loss account

1) The balance sheet, and profit and loss account shall be prepared each year in the same form as in preceding years and the methods of valuation shall remain the same, unless the general meeting adopts variations in the mode of presentation of the accounts or methods of valuation on the reasoned advice of the auditors.

2) The profit and loss account shall show under separate heads losses or profits arising out of the company`s various activities.

Art. 429. – Annexure

A return of liabilities which do not appear in the balance sheet, such as guarantees, shall be annexed to the balance sheet.

Art. 430. --- Amortization and allowances

1) Provisions for amortization shall be made each year so that the item to be amortized be written off at the end of its period of use. Where, during the period of amortization, the rate proves insufficient, such rate shall be increased so that the amortization corresponds to the depreciation.

2) Provisions shall be made for amortization and allowances for depreciation of assets at the end of each financial year, even where there are no profits.

3) The costs of capital issue and increases shall be amortized not later than on the expiry of the fifth financial year following that during which such issue or increase was made.

Art. 431. --- Accounts of holding companies

1) Where a company is a holding company, the accounts of its subsidiaries shall be submitted to the annual general meeting at the same time and in the same manner as its own accounts.

2) A consolidated balance sheet and profit and loss account shall be prepared in respect of the holding company and its subsidiaries.

3) The provisions of sub-art. (1) of this Article may not apply where the board of directors is of opinion that the drawing up of such document:

a) would be impractical or too onerous, or if little concern to the shareholders on account of the small financial interest involved;
b) could prejudice the company or its subsidiaries, or that the company and its subsidiaries carry out business of such a differing nature that they may not reasonably be deemed to form a single enterprise and such opinion is approved by the Ministry of Trade and Industry or any other relevant government authority.

Art. 432. --- Profits

1) The net profits of a company comprise the net receipts for the financial year after deduction of general costs and other charges, and of amortization and allowances.
2) The profit for distribution is the profit for the financial year less previous losses and plus additional revenue and any distribution from the reserve funds specially approved by the general meeting.
3) The general meeting shall specify the reserve funds from which profit for distribution may be taken.

Art. 433. --- Reserve funds

1) Transfers to reserve funds shall be made from the net profits shown in the profit and loss account.
2) Reserve funds shall include the following:
a) the legal reserve required by the law;
b) the supplementary reserve created by an ordinary general meeting in accordance with the memorandum of association;
c) optional reserve created by an ordinary general meeting in accordance with the memorandum of association;
d) free reserve created by an ordinary general meeting there being no special provision in the law or memorandum of association.

Art. 434. --- Legal reserve fund

1) Unless provided otherwise by another law, five percent of the net profits of the company shall be transferred each year to its legal reserve fund. However, the transfer ceases to be binding

where the amount of net profits transferred to the legal reserve fund amounts to five percent of the company`s capital.

2) Transfers shall be made to the legal reserve where it has fallen for whatever reason below the amount fixed in sub-art. (1) of this Article so that such fund once again reaches five percent of the capital.

Art. 435. --- Reserve created by issue premiums

1) Where an extraordinary general meeting approving an increase in capital decides sale of shares at a price greater than their par value, such meeting may decide the difference between the actual value of the shares and their par value to constitute a reserve fund.

2) Only former shareholders may share in the distribution of such reserve.

Art. 436. --- Allocation and distribution of profits

1) Unless otherwise provided by law, distribution of profits shall be effected after transfer to the legal reserve as provided under Art. 434 of this Code.

2) Payments to directors shall be made in accordance with the provisions of Art. 304.

Art. 437. --- Fixed or interim interests

1) The memorandum of association may provide that a fixed or interim interest shall be paid to shareholders even where there are no profits**.**

2) The interest under sub-art. (1) of this Article may only be paid to the extent of legal interest secured from the capital of the company deposited in a bank during the period of preparatory works and construction of the enterprise. The interest being paid by the company to its shareholders shall cease to be payable as soon as normal business begins.

3) A company may not pay interest to its shareholders in accordance with sub-art. (1) of this Article unless it is expressly specified in the memorandum of association.

Art. 438. --- Payment of dividends and right of shareholders

1) Dividends may only be paid to shareholders from net profits shown in the approved balance sheet.

2) Dividends distributed contrary to the provisions of sub-art. (1) of this Article shall be treated as fictitious dividends. The persons making the distribution shall be criminally and civilly liable.
3) The date and methods of payment of dividends shall be decided by the general meeting. The date of payment of dividends may under no circumstances exceed four months from the date fixed for payment.
4) Before the date fixed for payment of dividends to shareholders in accordance with sub-art. (3) of this Article the general meeting may for good reason vary or cancel decisions of a preceding general meeting concerning the distribution of dividends or reserves.
5) A shareholder shall become a creditor of the company for the amount of the dividend from the date fixed for payment.

Art. 439. --- Prohibition of claiming back of dividends

Dividends distributed contrary to the provisions of Art. 443 of this Code, except in the case of family companies or where distribution was made in the absence of a balance sheet or not in accordance with the approved balance sheet.

Art. 440. --- Effect of approval of the balance sheet

The approval of the balance sheet by the meeting may not affect the liability of members of supervisory board, if any, directors, auditors, managers, secretary and other officers of the company in respect of their management.

Art. 441. --- Publication of the balance sheet

Within thirty days of the approval of the balance sheet, a copy thereof together with the relevant minute of approval by the meeting shall be sent by the directors to the Ministry of Trade and Industry or relevant government authority as well as posted on the company`s website.

Chapter 8

Increase and Reduction of Capital

Section 1

Capital Increase

Art. 442. --- Main methods of increase of capital of a company

1) The capital may not be increased without the approval of an extraordinary general meeting.
2) The capital may be increased by the issue of new shares or by an increase in the par value of existing shares. Where an extraordinary general meeting decides to increase capital, it shall also at the same determine its method of increase.
3) New shares issued may either be paid up:
a) in cash or in kind;
b) by paying off current debts with shares or
c) by capitalization of reserves or other funds at the disposal of the company;
d) by conversion of debentures into shares.
4) An increase of capital by increasing the par value of existing shares only be effected under sub-art. (3) of Art. 402 of this Code where such increase is not paid up by capitalization of reserve or profits which may be distributed to shareholders.

Art. 443. --- Delegation of powers to board of directors

1) Notwithstanding the provisions of sub-art. (1) and (2) of Art. 442 of this Code, an extraordinary general meeting may by resolution delegate to the directors all powers necessary to effect the increase or reduction of capital approved by the meeting.
2) Any provision in the memorandum of association delegating such powers in advance to the directors shall be of no effect.

Art. 444. --- Period for effecting an increase of capital

A resolution or an approval of a general meeting to increase the capital shall be of no effect if not carried out within five years unless the increase is by conversion of debentures.

Art. 445. --- Capital to be fully paid before a new issue

Where a company whose capital is not fully paid increases its capital a new issue of shares or be paid up in cash or of convertible debentures, such issue shall be null and void.

Art. 446. --- Conditions for the issue of new shares

In the absence of a provision to the contrary, a company may only issue new shares in accordance with the provisions relating to the formation of share companies.

Art. 447. --- Subscription with offer to the public

1) Where new shares are offered for public subscription, the offer to the subscribers shall be by prospectus signed by the chairperson of the board of directors of the company and such prospectus shall contain the following information:

1) the company`s name and head office;

2) the date of registration of the company in the commercial register;

3) the existing amount and composition of the capital, showing the various kinds and classes of shares, their par value and preferences attaching thereto, if any;

4) the directors, members of the supervisory board, if any, managers and auditors.

5) the last profit and loss account, balance sheet and auditors'' report;

6) dividends paid during the last five years or since formation where the company exists for less than five years;

7) debenture loans issued;

8) the decision of the general meeting regarding the new shares, showing in particular the total amount, their number, par value, nature and issue price;

9) contributions in kind and special benefits allocated;

10) the period from which the new shares will give the rights to a dividend and any restrictions regarding such right, as well as any preference accorded;

11) the date up to which the subscriber is bound.

Art. 448. --- Preferred right of subscription

1) Shareholders shall have a preferred right of subscription of new shares, in proportion to the number of shares held.

2) The right indicated under sub-art. (1) of this Article may be disposed or assigned under the same conditions as the share itself, during the period of subscription.

3) The preferred right of subscription may not be exercised in the event of conversion of debentures into shares. The decision of the general meeting relating to issue of debentures convertible into shares at the will of the holders shall indicate renunciation by shareholders of their preferred right of subscription at that time of the issue.

Art. 449. --- Right of reduced subscription

Notwithstanding the provisions of sub-art. (2) of Art. 448 of this Code, where any shareholders have not subscribed shares in respect of which they had a preferred right, the shares shall be allocated to those shareholders having applied for a greater number of shares than they would have been entitled to under their preferred right, such allocation being proportional to their shares in the capital and within the limits of their applications.

Art. 450. --- Allocation of the remainder

Where shares offered for subscription under Art. 453 and 454 of this Code have not taken up the whole of increase of capital, the balance may be disposed to non-shareholders in accordance with the decisions of the extraordinary general meeting.

Art. 451. --- Exceptions to the preferred right

1) The extraordinary general meeting which resolves an increase of capital may also resolve that the provisions of Art. 448, 449 and 450 shall not apply, in whole or in part, but after considering:
a) a directors` report giving reasons for the increase of capital and the setting aside of the preferred right of subscription, the allottees of the new shares, the number of shares allocated to each, the issue price and the basis for determining such price; and
b) an auditors` report certifying the correctness of the directors` report.
2) Any allottees of new shares may not vote at a meeting which sets aside in their favor the application of the provisions of Art. 448 and 450 of this Code.
3) The quorum and majority required for the decision under sub-art 1 and 2 of this Article shall be calculated on the whole of the shares making up the share capital but to the exclusion of the shares held or represented by such allottees.

Art. 452. --- Issue of convertible debentures

1) The issue of convertible debentures is subject to the prior approval of an extraordinary general meeting.
2) The approval under sub-art. (1) of this Article shall indicate express renunciation by the shareholders of the preferred right of subscription of the shares to be issued under such conversion, for the benefit of the holders of the convertible debentures.
3) The directors` report required under sub-art. 1 (a) of Art. 451 of this Code shall give reasons for the issue and the period of the shares to be issued under such conversion, for the benefit of the holders of the convertible debentures.
4) The auditors shall prepare a special report on the proposals submitted to the extraordinary general meeting as regards the manner of conversion.

Art. 453. --- Documents conferring special preferred rights prohibited
No documents conferring a preferred right of subscription may be issued.

Art. 454. --- Periods of time for the exercise of the right of subscription
The period of time within which existing shareholders may exercise their right of subscription may not be less than thirty days from the opening of the subscription.

Art. 455. --- Publication of notices of subscription
1) The date of opening of a subscription shall be notified to shareholders by a notice published in a newspaper having nation-wide circulation and through an appropriate electronic means, ten days before the subscription list opens. Such notice shall indicate to shareholders their preferred right, the dates of opening and closing of the subscription list and the issue price of the shares and the amount required to be paid-up immediately.
2) Where all the shares are registered shares, the company may send the notice to the shareholders by registered letter ten days before the subscription list opens.

Art. 456. --- Subscription of new shares
1) An application to subscribe is not effective unless accompanied by the amount to be paid on subscription.

2) The provisions of Art. 267-268 of this Code shall apply, *mutatis mutandis*, to increases of the capital of a company effected by the issue of cash shares.

Art. 457. --- Declaration of subscription

The board of directors shall certify as correct and keep on a record the following:

1) the new shares have been fully subscribed;

2) the amounts to be paid up have been paid;

3) the authorized increase of capital has taken place and

4) the necessary amendments to the memorandum of association have been effected.

Art. 458. --- Increase of capital by contributions in kind

The provisions of Art. 260, 261 and 263 of this Code shall apply *mutatis mutandis* to increases of capital effected by contributions in kind or which carry special benefits.

Art. 459. --- Payment of new cash shares by set off

1) New cash shares issued to increase the capital of a company may be used to pay off the current liquid debts of the company at the date the subscription list opens.

2) An account showing the settlement of the debt shall be drawn up by the directors and certified as correct by the auditors. The auditors shall prepare a report showing the value of the debt so settled.

Art. 460. --- Capitalization of reserves

Subject to the provisions of sub-art. (2) of Article 434 of this Code, an extraordinary general meeting may decide to increase the capital by transferring thereto the whole or part of the reserves: Provided that, where the legal reserve is so transferred, no distribution to shareholders may be made until the legal reserve is restored.

Art. 461. --- Amortization of capital

1) Only the memorandum of association or a resolution of an extraordinary general meeting may authorize amortization of capital.

2) Only profits which may be distributed or reserves other than those indicated in sub-art. (1) of Article 434 of this Code may be used for such amortization.
3) The amortization under sub-art. (1) of this Article may be effected by the redemption of shares within the same class. Shares to be redeemed may be selected by drawings. Reduction of capital may not result from amortization.

Section 2
Reduction of Capital

Art. 462. --- Proposal for reduction of capital

Proposals for a reduction of capital shall be sent by the board of directors to the auditors not less than fifteen days before calling the general meeting to approve such reduction. The auditors shall report to the same meeting their opinion and the reasons therefor on the proposals.

Art. 463. --- Reduction of capital to be published
Where a reduction of capital has been effected, an entry shall be made in the commercial register and published in newspaper with wide circulation and posted on the company`s website.

Art. 464. --- Reduction of capital following losses
The provisions of Art. 465-468 of this Code shall apply when losses are the reason for a reduction of capital.

Art. 465. --- Manners of reduction of capital
1) A reduction of capital shall be effected:
a) by reducing the part value of shares;
b) by exchanging old shares for a lesser number of shares.
2) Where a general meeting resolves that a reduction of capital shall be effected as provided in sub-art. 1 (b) of this Article, the shareholders holding an insufficient number of shares to be exchanged shall within the period fixed by the meeting make up the number of shares to a number which can be exchanged or dispose of their shares to another shareholder.

Art. 466. --- Preservation of rights for shareholders

An extraordinary general meeting may in a resolution authorizing a reduction provide that the shareholders shall be paid as a compensation for the reduction of the number of their shares or of the par value thereof an amount corresponding to the reduction, before any distribution of profits is made.

Art. 467. --- Rights of creditors

Where the claim of a creditor holding rights prior to the adoption of a resolution by an extraordinary general meeting to reduce capital is not paid or such creditor is not given adequate guarantees for the payment of his claim, he may oppose the adoption of a resolution in Art. 466 of this Code or any distribution of profits until the capital is redeemed to the amount existing at the time when the claim originated.

Art. 468. --- Reduction of capital below the minimum required by law

1) Where, by reason of losses, the capital is reduced below the minimum permitted in sub-art. (1) of Article 247 of this Code, the capital shall be increased to the minimum required in Art. 463 of this Code within a period of one year from the date of publication in the commercial register of the reduction of the capital.

2) Nothing in this Article shall affect the rights of creditors under Art. 467 of this Code.

3) Where the increase of capital required by sub-art. (1) of this Article is not effected or the company is not reorganized, the dissolution of the company may be ordered by the court upon the application of any interested person.

Art. 469. --- Reduction of capital not motivated by losses

The provisions of Art. 470-472 of this Code shall apply where losses are not the reason for a reduction of capital.

Art. 470. --- Equality of shareholders

The equality of shareholders may not be affected by a reduction of capital.

Art. 471. --- Rights of creditors

1) Any creditor holding rights prior to the publication in a newspaper with nation-wide circulation in accordance with Art. 463 of this Code may, where the reduction of capital is an amount exceeding ten percent, object to the reduction within three months from such publication.
2) The court may reject such object or order the company to pay the claimant or to provide adequate guarantees for payment.
3) No reduction of capital may be effected until the period specified in sub-art. (1) of this Article has expired.

Art. 472. --- Minute recording reduction

1) A decision relating to a reduction of capital shall be entered in the company`s minute book within one month from the date of such decision.
2) The minute prepared pursuant to sub-art. (1) of this Article shall be posted on the company`s website.

Chapter 9

Dissolution and Winding-up

Art. 473. --- Grounds for dissolution

1) Subject to the general the provisions of Art. 181 of this Code, a share company may be dissolved for one of the following reasons:
a) where members are reduced in number below the legal minimum and the organ which registers business organizations decides the dissolution of the company on the application of any interested party due to failure to make up for the reduction in number of members within six months;
b) decision of the organ in charge of registration of business organization on application of any interested party for the company`s failure to possess the prescribed organs;
c) loss of three-quarters of the capital.
2) Notwithstanding the provisions of sub-art. 1 (a and b) of this Article, the organ in charge of registration of business organizations may, where it thinks necessary, extend the time limit for the time or permit continuation of the company after acquiring the prescribed organs.

3) The board of directors shall call an extraordinary general meeting to consider voluntary dissolution or continuation of the company where three-quarters of the capital have been lost as provided in sub-art. 1 (c) of this Art.

4) Where the directors, supervisory board, if any, or auditors fail to call a general meeting the court may, on the application of any interested party, order dissolution.

5) Where shareholders knowingly continue the operations of the company without the approval of the organ in charge of registration of business organization provided in sub-art. 2 of this Art., such shareholders shall be jointly and severally liable for any debts assumed thereafter by the company.

Art. 474. --- Publication of notices of dissolution

1) Where a company is dissolved by the decision of an extraordinary general meeting or the court in accordance with the provisions of this Code, such decision shall be published in a newspaper with wide circulation and posted on the company`s website within twenty one days from the date of such decision to dissolve the company. The notice, to which the words "in liquidation" shall be added, shall include the name of the company, amount of the capital, ground for dissolution, name and address, and the scope of power of the liquidator.

2) Documents which indicate the decision to dissolve the company and appointment of a liquidator following such decision shall be kept at the head office of the company and be entered in a commercial register.

Art. 475. --- Appointment and removal of liquidators

1) Where the appointment of liquidators is not provided for in the memorandum of association, they shall be appointed by the extraordinary general meeting which resolved dissolution.

2) Where liquidators are not appointed under sub-art. (1) of this Article, they may be appointed by the court on the application of the board of directors or supervisory board or auditors or shareholders or creditors.

3) The appointment of liquidators pursuant to sub-art. (1) of this Article may be revoked the extraordinary general meeting. The liquidators may, regardless of the manner of their appointment, be removed by the court for good cause on the application of persons indicated under sub-art. (2) of this Article.

4) The party that has removed liquidators in accordance with sub-art. (3) of this Article shall appointment liquidators.

Art. 476. --- Resignation of liquidators

1) Liquidators may resign by giving three months advance written notice to the party who has appointed them. They shall submit the resignation to the board of directors of the company where they were appointed by the general meeting or memorandum of association.

2) Where the liquidators fail to give prior notice under sub-art. (1) of this Article, the liquidators shall be liable jointly and severally for damage to the company or the creditors or shareholders due to such failure.

Art. 477. --- Requirements to qualify as a liquidator

A person may qualify as a liquidator upon the fulfillment of the following requirements:

1) possession of good character;

2) have the required expertise to undertake liquidation;

3) Not convicted of breach of trust, theft, or robbery or other similar criminal offenses which disqualify him as a liquidator while serving as, or due to any other circumstance, a promoter, director, manager, member of supervisory board or auditor or carrying out any other managerial position in a business organization.

Art. 478. --- Remuneration of liquidators

1) Liquidators shall be remunerated for the service they render.

2) The remuneration shall be determined by the party that has appointed them in accordance with Art. 475 of this Code.

Art. 479. --- Survival of the company during winding-up

1) Until winding-up is completed, the company shall retain its legal personality and name, to which the words "in liquidation" shall be added.

2) During winding-up, the organs of the company shall restrict their activities to acts necessary to facilitate the winding-up and which are not acts within the scope of the liquidators.

Art. 480. --- Bankruptcy and winding-up conditions

1) Where a company is declared bankrupt, the winding-up shall proceed in accordance with the provisions of this Code pertaining to bankruptcy.

2) The directors` powers shall be restricted to representing the company if necessary.

Art. 481. --- Duties and liabilities of liquidators

1) Unless otherwise provided by law or memorandum of association, the liquidators shall have the same duties and liabilities as directors.

2) The liquidators shall take possession of the property and books of the company. The directors shall prepare a report for the liquidators on the management of the company from the end of the last financial year to the date of the winding-up.

3) The liquidators and directors shall jointly prepare and sign an inventory of assets and liabilities.

4) Where the assets appear to be insufficient to cover the debts of the company, the liquidators shall call upon the shareholders to pay according to their share holding such installments as may be due on their shares.

Art. 482. --- Powers and liabilities of liquidators

1) Subject to any limitations imposed by the memorandum of association or by the meeting appointing them, liquidators shall have full powers to carry out the liquidation. They may, in particular, sell the assets of the company as whole, compromise and arbitrate and shall represent the company in legal proceedings, collects credits and pay debts of the company.

2) The liquidators may not undertake new business, unless required for the execution of contracts still running or where the interests of the winding-up so require.

3) The liquidators shall be jointly and severally liable in respect of any business undertaken outside the scope of powers conferred upon them by law or memorandum of association or shareholders` general meeting.

Art. 483. --- Prohibition from distributing assets before full payment of debts

Until the creditors of the company have been paid or provision for payment deposited in the court, the liquidators may not distribute any part of the assets among the shareholders.

Art. 484. --- Calling on and payment to creditors

1) Creditors whose names appear in the company`s books or who are otherwise known shall be informed of the dissolution of the company by registered letter or by other in advance agreed upon methods and required to file their claims with supporting vouchers. Notice to other creditors about the dissolution of the company shall be given by notice published, in the form laid down in the memorandum of association, once in a month in three successive monthly issues of a newspaper with nationwide circulation and posted on the website of the company.

2) Creditors shall be paid on the basis of a balance sheet prepared by the liquidators upon the commencement of their function.

Art. 485. --- Protection of creditors

1) Where known creditors have failed to file their claims, the amounts owing to them shall be paid into court.

2) Sums shall be set aside in a court to meet claims in respect of undertakings of the company which are not completed or disputed claims where the creditors have not been guaranteed or distribution of assets has not been postponed until such undertakings are completed.

Art. 486. --- Final balance sheet

1) After paying the company`s liabilities, the liquidators shall prepare a final balance sheet, showing what percentage of the surplus asset is available for distribution on each share.

2) Unless there is a provision to the contrary in the memorandum of association, the liquidators shall calculate the percentage under sub-art. (1) of this Article having regard to whether shares have been fully paid up and preferential rights attaching to shares.

3) The balance sheet signed by the liquidators and the auditors` report shall be deposited in the Ministry of Trade and industry or any other relevant government authority.

4) Any shareholder may, within three months from the deposit of the balance sheet under sub-art. (3) of this Article, apply to the court to set aside the final balance sheet. Such application shall be heard after the period of three months has expired and, where there are several applications, they shall be heard together. The court`s decision shall bind other shareholders of the company.

5) Where no application has been made within the period indicated in sub-art. (4) of this Article, the final balance sheet shall be deemed to be approved.

Art. 487. --- Suspension of distribution

The surplus assets may not be distributed to the shareholders until one year from the third publication specified in sub-art. (1) of Art. 484 of this Code: Provided that the court may order the distribution of the surplus assets before the expiry of this period where satisfied that the creditors will not suffer.

Art. 488. --- Deposit of amount uncollected

Where a shareholder has not collected the percentage of the surplus assets due to him within three months from the deposit mentioned in sub-art. (3) of Art. 486 of this Code, the liquidators shall deposit such sum in a special account in a bank together with the name of the shareholder or the numbers of the shares, if they are to bearer.

Art. 489. --- Striking off company the commercial register

1) When the final balance sheet has been approved, the liquidators shall see to it that the registration of the company is cancelled.

2) The liquidators shall be liable jointly and severally for any damage caused to shareholders or third parties due to failure to cancel the registration of the company from the commercial register.

Art. 490. --- Rights of creditors

1) After the cancellation of the registration of the company in accordance with Art. 489 of this Code, creditors who have not been paid may claim against the shareholders in person to the extent of their shares in the surplus assets.

2) Creditors may claim against the liquidators, where they have not been paid owing to the liquidators'' negligence.

Art. 491. --- Preservation of the books

1) The books of a company which has been dissolved shall be deposited with the relevant government authority where they shall be kept for ten years.

2) They shall be open to inspection.

Chapter 10

Website

Art. 492. --- Construction of a website

Every share company shall have a website.

Art. 493. --- Contents of the website

1) The following up to date information shall be posted on the website:

a) the memorandum of association, and amendments thereto, if any;

b) notices regarding general meetings and related information;

c) approved audit reports;

d) report on transactions involving conflict of interest prepared pursuant to Article 395(5);

e) any other information required to be made public by this Code or the memorandum of association;

f) other information which does not jeopardize the interest of the company but necessary for shareholders, creditors and stakeholders.

2) The website shall, to the extent possible, include features to conduct electronic meeting and enable voting through electronic means.

Art. 494. --- Period of keeping information on website

1) The following items of information shall be kept on the website from the date of their uploading:

a) Notices calling a meeting and related information until the end of the meeting;

b) accounts for five years;

c) other information for six months.

2) The website shall be accessible to any person.

3) The company shall take all the necessary measures to protect the security of the website.

Title VII

Private Limited Company

Chapter 1

General Provisions

Art. 495. --- Definition

1) A private limited company is a business organization whose capital is fully paid-up in advance, divided up into shares and members are not liable for the debts and liabilities of the company so long as they have paid up their contributions.

2) Shares of the company may not be made open to public subscription.

3) Notwithstanding the provision of sub-art 1 of this Article, the provisions of Art. 295 of this Code shall apply to the liability of a member with a decisive vote.

4) A private limited company may not have less than two or more than fifty members.

5) The company may not issue transferable securities.

Art. 496. --- Capital

1) The minimum capital of a private limited company may not be less than 15,000 Ethiopian Birr.

2) The par value of each share may not be less than 10 Ethiopian Birr. All shares shall be of equal value.

Art. 497. --- Company name

A private limited company may have a firm-name indicating the purpose of its business. The firm-name shall be followed by the words "Private Limited Company".

Art. 498. --- Reduction of the number of members below the legal minimum

1) Where the number of members of a private limited company is reduced below two and another person does not join such company as a member within six months, the company shall be dissolved.

2) Notwithstanding the provisions of sub-art 1 of this Article, the company whose members are reduced below two may be registered as a-one-person company within six months.

Chapter 2
Formation

Art. 499. --- General conditions necessary for formation

1) A private limited company is instituted when its capital is paid-up fully and the memorandum of association is entered in the commercial register.

2) The par value of shares which are sold in cash shall be deposited in a bank account opened in the name of the company under formation before the registration of such company.

Art. 500. --- Contents of the memorandum of association

The memorandum of association shall show:

1) the names, nationality and addresses of the member or members;

2) the company name, head office, and branches if any;

3) the business purposes of the company;

4) the amount of the capital and a statement that such capital is fully paid;

5) the amount of capital paid-up by each member;

6) the value of contributions in kind, if any;

7) the number of shares held by each member;

8) the procedure for distribution of profits;

9) the number of directors and their powers, if any;

10) the number of managers and their powers;

11) the number of auditors, if any;

12) the period of time for which the company is established;

13) the manner in which the period within which the company will publish its performance report;

14) matters relating to the relationship between management of the company, the company and its members or members;

15) other particulars as may be provided by the law or decision of members.

Art. 501. --- Contribution

With the exception of skill, Art. 186 of this Code regarding cash and other contributions in kind shall apply to a private limited company.

Art. 502. --- Contributions in kind

1) Where a member makes a contribution in kind, the memorandum of association shall show the nature and the value of the contribution, price accepted by the other members and the share in the capital allocated to the member.

2) The method of valuation of contributions in kind shall be determined by the members.

3) Members shall be jointly and severally liable to third parties for the valuation fixed at the time of payment.

4) Where it is shown that a contribution has been overvalued, the contributing member shall make good the overvaluation in cash. Members shall be jointly and severally liable for such payment, notwithstanding that they were not aware of the overvaluation.

5) The manager and the members of the board of directors, if any, shall ensure, where appropriate, the registration of contributions in kind and issuance of title deed in the name of the company.

Chapter 3

Shares and Rights and Duties of Members

Art. 503. ---- Form of shares

The company may issue only shares registered in the name of the members.

Art. 504. --- Right to inspect documents

1) A member may inspect and make an inquiry about accounts and documents of the company to evaluate its financial state or any other matter affecting his interest. The member may exercise this right through an agent or in person with an assistant.

2) However, where disclosure of the information is prohibited by the law or doing so would cause serious damage to the company, the board, if any, or in its absence, the general manager may deny such information or document.

Art. 505. --- Shares pledged or given in usufruct

Where a share is pledged or given in usufruct, the right to vote at meetings shall, unless otherwise agreed, be exercised only by the pledgee or usufructuary.

Art. 506. --- Contents of a share certificate

Each share certificate shall contain:

1) the serial number of the share and sequence;

2) the signature of the chairperson of the board of directors, if any, or the manager of the company;

3) the name, head office and period for which the company is established;

4) the amount of the capital of the company and the par value of the share;

5) the date of signature of the memorandum of association and the date and place of registration of the company in the commercial register;

6) other necessary information.

Art. 507. --- Share register

1) The head office of the company shall keep the following particulars in a share register:

a) name and address of members; the shares of the members and the serial number of shares;

b) particulars about all transfers of shares;

c) all amendments to these particulars.

2) At the beginning of each calendar year a list containing changes in the particulars under (a) and (b) of sub-art. 1 of this Article shall be signed by the chairperson of the board of directors, if any, or by the manager of the company and sent to the Ministry of Trade and Industry or any other relevant government authority.

3) Members may consult the share register or take a copy thereof without charge. The company shall give a copy of the register to the requesting member within one month from the date of such request.

4) Any interested person may consult the share register or request the company to give him a copy thereof upon payment of the prescribed fee.

5) Upon notification by a member or any other interested person about the existence of inaccuracy in the keeping of the share register, the Ministry of Trade and Industry or any other relevant government authority may cause the rectification of such inaccuracy. The directors, if any, or the managers of the company shall be jointly and severally liable for any loss occasioned by inaccuracy in the keeping of the share register or the lists.

Art. 508. --- Transfer of shares

1) Any transfer of shares shall be made in writing. Transfer of shares shall be of no effect in relation to third parties unless it has been entered in the share register.

2) Unless otherwise provided in the memorandum of association, there shall be no restriction on the transfer of shares between members.

3) A member shall, prior to disposing of his share to a person outside the company, give an opportunity to other members to purchase such share by revealing to them the price offered to him for the same price and under the same condition.

4) The offeror-member may accept the offer made to him by a person outside the company where the offeree-member has failed to accept the offer within fifteen days from the receipt by the manager of the company of the notice under sub-art. 3 of this Article.

Art. 509. --- Transfer of shares outside the company

1) Notwithstanding the provisions of sub-art. 4 of Art. 508 of this Code, a transfer of shares outside the company shall be approved by members representing at least three-quarters of the capital, unless a larger majority or unanimity is fixed in the memorandum of association.

2) The provisions of sub-art. 1 of this Article shall apply even where the company is in liquidation.

Art. 510. --- Transfer of share through execution

1) Where execution is levied on a member`s share in favor of a person who is outside the company, such person, to become a member, shall obtain the approval of the other members in accordance with sub-art. 1 of Article 509 of this Code.

2) Where members representing three-quarters of the capital have failed to agree in favor the person in whose favor the share is levied, such share shall be transferred to any interested

member of the company. Failing a member interested in purchasing the share, the company shall pay the price of the shares to the judgment creditor.

3) Where the company purchases the share in accordance with sub-art. (2) of this Article, the payment shall be effected from reserve funds which may be distributed.

4) Where the share cannot be purchased owing to lack of reserve funds under sub-art. (3) of this Article, the purchase shall be effected from the capital. The capital shall be reduced accordingly.

Art. 511. --- Devolution of share by way of succession

1) Unless otherwise provided in the memorandum of association, the shares of a deceased member devolve upon his heirs.

2) However, where the heirs are not willing to be members, they shall be paid on the basis the final balance sheet from the reserve fund to the extent of the deceased`s shares representing the assets of the company.

3) Where there is no sufficient reserve fund that may be distributed between the members, the right under sub-art. (2) of this Article may not apply.

Art. 512. --- Applicable provisions

The provisions of Art. 273-275 of this Code shall *mutatis mutandis* apply to this Chapter.

Chapter 4

Management

Art. 513. --- Board of directors

1) The memorandum of association may determine a private limited company to be managed by a board of directors.

2) The board of directors, if any, shall consist of between three and seven members.

3) The provisions of sub-art. (4) and (5) of Article 296, Art. 297-298, 300-312 and Art. 314-330 of this Code shall apply *mutatis mutandis* to the board of directors of a private limited company.

Art. 514. --- Manager

1) A private limited company shall have one general manager, whether a member or not, appointed by a general meeting.
2) Where the memorandum of association envisages a board of directors, the manager shall be appointed by the board of directors. The manager may not be the chairperson of the board of directors.
3) The manager is an employee of the company.

Art. 515. --- Powers of the manager

1) Where the company is managed by a board of directors, the provisions of Art. 342-344 of this Code shall apply *mutatis mutandis* to the powers of the manager.
2) Where the company does not have a board of directors, the manager shall have full powers to act in the name of the company in the realization of the business purposes of such company.
3) Provisions in the memorandum of association restricting the powers of the manager shall be of no effect except as between members and the manager.

Art. 516. --- Liability of the manager

1) Notwithstanding a provision to the contrary, the manager shall be liable to the company, members and third parties for any breaches of his duties under the law or the memorandum of association.
2) Where in bankruptcy the assets are shown to be inadequate, the court may, on the application of the trustee in bankruptcy, order that the company`s debts or part of them shall be paid by the manager and the previous managers of the company.
3) The provisions sub-art (1) of this Article may not apply to managers who have shown that they have acted with due care and diligence.

Art. 517. --- Dismissal of a manager

1) A manager may be dismissed by the organ appointing him. In particular, in the absence of a provision to the contrary in the memorandum of association, the manager appointed by the board of directors shall be dismissed in the same manner as the dismissal of a manager of a share company.

2) In the absence of a provision to the contrary in the memorandum of association, a manager may be dismissed by an ordinary meeting whether he was appointed by the memorandum of association or the ordinary meeting. The manager is not entitled to be reinstated even where he was dismissed without good cause.

3) Notwithstanding the provisions of sub-art. (1) and (2) of this Article, a manager may be dismissed, on the request of any member, by the court where it is of the opinion that there is good cause.

4) Where replacement of the dismissed manager takes time, the deputy manger or the chairperson of the board of directors shall act in that order in place of the dismissed manager.

Art. 518. --- Auditor

1) Where a private limited company consists of ten and more members or the value of its total assets amounts to five million Ethiopian Birr, it shall have an auditor.

2) An auditor shall be elected by a general meeting.

3) The provisions of Art. 343-354 of this Code shall apply *mutatis mutandis* to matters regarding an auditor of a private limited company.

Chapter 5

Meetings

Art. 519. --- Classes of meetings

Meetings of the company may be ordinary or extraordinary.

Art. 520. --- Conduct of Meetings by Electronic Means

1) Members may participate in a meeting of the company by video conference or other means of telecommunications unless the memorandum of association prohibits that. The technology shall enable to identify the identity of the participants and ensure their effective participation. The

means of communication shall meet technical requirements allowing continuous and simultaneous transmissions of the proceedings.

2) Members who are unable to present physically under sub-article 1 of this Article may vote orally.

3) The members may not pass a valid decision at a meeting held pursuant to sub-article 1 of this Article unless at least one third of its entire membership is physically present at the meeting.

4) The memorandum of association may not amended by a meeting of members conducted through electronic means. The memorandum of association may restrict the nature of decisions that may be taken at a meeting held under conditions stipulated in sub-article 1 of this Article.

Art. 521. --- Ordinary general meeting

1) Within four months from the end of each financial year, at least one ordinary general meeting shall be conducted.

2) The four months period of time indicated under sub-art. (1) of this Article may be extended to six months by the memorandum of association or by the decision of relevant government authority.

3) The meeting is called by the board of directors, if any, by the manager where the board of directors failed to call the meeting, or in their default, by the auditor, if any, or by members representing more than one-half of the capital of the company.

4) The authority mentioned under sub-art. (3) of this Article shall call the meeting upon the request of members representing ten percent of the shares.

5) Upon the request of any member, the court may for good cause appoint a person to call a meeting and to draw up the agenda for consideration where persons responsible under this Article have failed or refused to call the meeting.

Art. 522. --- Minutes

1) Minuets of meetings shall be reduced to writing and signed by members present at such meetings.

2) The minutes of meetings shall in particular include:

a) the manner in which the meeting was called;

b) the place and date of the meeting;

c) the agenda;

d) members of the board of directors, if any, present at the meeting;

e) the number of members present at the meeting and the quorum;

f) the documents laid before the meeting;

g) a summary of the discussions;

h) the results of votes taken; and

i) the texts of resolutions adopted.

3) Where a meeting lacks a quorum, the chairperson shall cause this fact to be reduced to minutes.

Art. 523. --- Decisions taken without a meeting

Where the number of members of the company is less than ten, a text of resolutions may, without calling a meeting, be sent to each member and ask for the members` written or electronic vote thereon.

Art. 524. --- Rights of members

1) In the absence of a provision to the contrary in the memorandum of association, each member may present or be represented at a meeting and vote in person or through electronic means.

2) Each member shall be entitled to a number of votes equal to the number of shares held by him.

Art. 525. --- Quorum and majority in ordinary general meeting

1) Members or a member representing more than one half of the capital of the company shall be present at an ordinary general meeting for a decision to be taken in such meeting.

2) Quorum shall be reckoned based on the amount of capital represented, not by the number of shareholders or by the number of shares. The meeting may adopt a resolution so long as it is legally constituted and the required amount of capital is represented. In particular, the mere fact that some shareholders are not willing to attend the meeting may not preclude the general meeting from discharging its responsibility.

3) Decisions in an ordinary general meeting are taken by a simple majority of shares representing the capital.

4) Where the quorum under sub-art. (1) of this Article is not obtained in the first meeting, the members shall be called again by registered letter or other appropriate electronic means. At a second meeting, decisions shall be taken by a simple majority without regard to the capital represented.

Art. 526. --- Quorum and majority in extraordinary general meeting

1) The unanimous decision of the members is required to change in the nationality or increase in the capital of the company by raising the par value of existing shares.

2) Notwithstanding the provisions of sub-art. (1) of this Article, the unanimous decision of the members is not required where an increase in the capital of the company is to be effected from profits to be distributed to members or the reserve fund.

3) An amendment to the memorandum of association requires the consent of members representing three-quarters of the capital, unless a larger quorum and majority is provided in the memorandum of association.

4) Amendments to the memorandum of association shall be entered in a commercial register.

Art. 527. --- Applicable provisions

Subject to the special provisions of this Chapter, the provisions of Art. 392-403 of this Code shall apply *mutatis mutandis* to matters pertaining to this Chapter.

Chapter 6

Accounts

Art. 528. --- Legal reserve

Not less than five percent of the profits shall be transferred each year to the legal reserve until such fund amounts to ten percent of the capital.

Art. 529. --- Fictitious dividends

1) Members may be required to repay dividends which have been paid of sums which are not actual profits.

2) Claims for repayment of fictitious dividends shall be barred after five years from the date the dividends were paid.

Art. 530. --- Applicable provisions

Subject to the provisions of this Chapter, Art. 425-441 this Code shall apply, as appropriate, to matters pertaining to this Chapter.

Chapter 7
Dissolution and Winding-up

Art. 531. --- Grounds of dissolution

Subject to the general provisions of Art. 186 of this Code, where the organs of a private limited company do not exist, such company shall be dissolved by the appropriate court on the application of a member or a creditor.

Art. 532. --- Loss of three-quarters of the capital

1) Where three-quarters of the capital are lost, the board of directors, if any or the manager shall cause the members to decide whether to dissolve the company.

2) Where the members have decided not to dissolve the company, they shall make additional contributions to enable it to have assets that are equal to its capital.

3) Where valid decisions are not taken pursuant to sub-art. (1) and (2) of this Article within three months from the date of the loss of three-quarters of the capital is known, any interested person may apply to the court for dissolution.

Art. 533. --- Applicable provisions

Subject to the special provisions of this Chapter, Art. 473-491 of this Code shall apply, as appropriate, to the dissolution and winding-up of a private limited company.

Title VIII
ONE PERSON PRIVATE LIMITED COMPANY

Art. 534 --- Nature

1) A one person private limited company is a business organization incorporated by the unilateral declaration of a single person.

2) The company has legal personality separate and distinct from that of the member.

3) The member shall not be personally liable for debts due by the company in so far as he has fully made his contribution.

Art. 535 ---Capital

The capital of a one person private limited company shall not be less than 15,000 (fifteen thousand) Ethiopian Birr.

Art. 536 ---Unilateral Declaration: Content and Form

1) The unilateral declaration incorporating a one person private limited company shall be made before an authority entrusted with authentication of documents and entered into the commercial register.
2) The unilateral declaration shall indicate:

a) that the company has only one member;
b) The name, nationality and address of the member;
c) The name of the nominee of the company who will act on behalf of the member in the event of death or absence or judicial interdiction of the member;
d) the acceptance of the nominee his nomination;
e) the company name, head office, and branches, if any;
f) the business purpose of the company;
g) the amount of the capital of the company and a statement that the capital is fully paid;
h) the valuation of contributions in kind, if any;
i) the name and powers of the manager;
j) the name of the auditor, if any;
k) the period of time for which the company is established;
l) the method and time within which performance report of the company is released;
m) other particulars determined to be included by the law or the member.

Art. 537 --- Nominee

1) A one person private limited company may not be formed unless the nominee has declared his acceptance of the nomination before an authority authorized to authenticate documents.
2) A person may not become a nominee for more than a single one person company at a time.

Art. 538 --- Formation by Conversion form Sole proprietorship

1. A sole proprietorship may be converted into a one person private limited company.
2. The sole proprietor shall remain personally liable for all debts incurred prior to the formation of the one person private limited company through conversion.

Art. 539 --- Prohibited Formation

1) A one person private limited company may not establish another one person private limited company.
2) Any interested party may apply to the court with jurisdiction at the place of incorporation for the dissolution of a company formed in violation of sub-article 1 of this article.
3) Notwithstanding the provisions of sub article (2) of this article, the single shareholder and the company shall be jointly and severally liable for any damage incurred by creditors or any other person owing to the infringement of sub-article 1 of this Article.

Art. 540 --- Contributions in kind

1) Where a member of a one person private limited company makes contribution in kind, the nature and the value of the contribution shall be indicated expressly in the declaration submitted pursuant to sub-article (2)(h) of Article 536.
2) The member shall appoint an auditor for the formation proceedings who shall verify the value of the contributions in kind.
3) The auditor shall determine the method of valuation of contributions in kind and state that in the valuation report.

4) The valuation by the auditor shall prevail over that of the member where the valuation by the latter is bigger than that of the auditor.
5) The member and the auditor shall be jointly and severally for damage caused owing to overvaluation of the contribution in kind.
6) No action may be brought on grounds of overvaluation under sub-article 5 of this article after five years from the date on which the contribution was duly made to the company.

Art. 541 --- General Manager

1) A one person private limited company shall have a general manager who may or may not be the member of the company.
2) The general manager shall have the powers vested by this Code in the manager of a private limited company.

Art. 542 --- Meeting of the Company

1) The member of the company shall exercise the powers of the general meeting of shareholders in a private limited company.
2) Decisions taken by the member in the exercise of the powers of a general meeting shall be reduced into minutes within three weeks from the meeting and kept as part of the records of the company.
3) Resolutions that introduce changes into matters included in the unilateral declaration incorporating the company shall be entered into the commercial register no later than one month from the date on which the decision is passed.
4) Failure to comply with the foregoing provisions of this article shall not affect the validity of the resolution but the member of the company shall be jointly and severally liable with the company itself for any damage caused by the violation of these provisions.

Art. 543. --- Liability of the member

Notwithstanding the provision of Article 534(3) pertaining to limited liability of the member of a one person private limited company, the member of a one person private limited company or any other person who has control over the company shall be jointly and severally liable with the company where he is found to have committed one of the following:

1) commission of unlawful act intentionally that jeopardizes the interests of the company or creditors of the company;

2) merger of the assets of the company with his property;

3) failure to separate his own legal personality from that of the company;

4) release of information on the financial status of the company to deliberately mislead the creditors of the company;

5) make use of the assets of the company without payment or agreement for his personal benefits or that of third parties;

6) payment of dividends that exceeds the limit set by the law;

7) commission of other similar acts.

Art. 544 --- Dissolution without liquidation

1) The dissolution of a one person private limited company that has settled all its debts and obligations shall result in the universal assignment of all the assets of the company to the member without liquidation of assets taking place.
2) The member shall be personally liable for all the debts and obligations of the company if claimants appear after the dissolution has taken effect.
3) Claims under sub-article 2 shall be barred after five years from the date when the aggrieved party knew of the dissolution. There shall be absolute limitation after ten years from the date when the transfer of the assets of the company to the member took place.
4) Notwithstanding the provisions under sub-articles 1 to 3 of this article, the member may choose to follow the route of liquidation upon the dissolution of the company.

Art. 545--- Applicability of other rules

All the rules of this Code that govern a private limited company shall apply *mutatis mutandis* to a one person company without prejudice to the special rules in the foregoing provisions.

Title Nine

Conversion of Business Organizations

Art. 546 General Provisions

1) The conversion of one form of business organization into another form does not cause the creation of a new legal person but only amendment of the memorandum of association.
2) The members may, as the case may be, decide on conversion unanimously, or by the majority required by this law or the memorandum of association.
3) The decision shall not deprive a member, in whole or in part, of the right of membership or increase his liabilities without his consent.
4) The conversion decision shall be published in a newspaper having wide circulation and on the website of the business organization, if it has one.
5) The rules relating to the formation of the relevant new business organization shall apply without prejudice to the rights of third parties.

Article 547 Rights of Dissenting Shareholders

Members who dissent, from the decision on conversion, may withdraw by selling their shares to the business organization as provided under Article 403 of this law.

Article 548 Rights of Creditors

1) The rights and duties of the former firm shall pass automatically to the new business organization as from the date of its registration in the commercial register.
2) On registration of the new business organization, creditors of the former firm shall be required to establish their claim forthwith, and shall be informed that, unless they object thereto, they shall be deemed to be creditors of the new firm.
3) The provisions of Article 484 of this law shall apply to make calls for creditors under sub-article (2).
4) No payments out of the assets of the firm shall be made to shareholders until all creditors have been paid or provided adequate guaranty pursuant to sub-article (2) of this article.
5) The general manager, or the secretary of the organization, as the case may be, shall cause the conversion of the former firm to be published in a newspaper of wide circulation and shall cause the registration of the former firm to be cancelled after the provisions of sub-article (4) of this article have been complied with.
6) The general manager and the secretary of the business organization shall be jointly and severally liable for carrying out the provisions of sub-article (2) to (5) of this article.

Article 549 Liability of Partners

1) The conversion of a firm shall not discharge members with unlimited liability of their liability for undertakings entered into by the firm prior to the registration of the decision of conversion in the commercial register, unless it is proven that the creditors have approved the conversion.

2) Approval of conversion shall be presumed where creditors have been informed of the decision of conversion by registered letter or an electronic means they had chosen, and have not expressly objected to the conversion in writing within thirty days from the date of such notification.

Title Ten

Groups of companies and Branch

Chapter 1: Groups of Companies

Article 550 Definition of a "Group"

1) A "group" is a set of companies comprising of the parent company and all its national and foreign subsidiaries, unless otherwise indicated.
2) A "subsidiary" is a company subjected to the control of another company, the "parent" company, either directly or indirectly through another subsidiary.
3) A "parent" is a company that has subjected another company to control either directly or indirectly through the instrumentality of another company.
4) The term "control" shall have the meaning provided under Article 552 for the purpose of sub-article (2) and (3) of this article.

Article 551 Definition of a "Wholly-owned Subsidiary"

A "wholly-owned company" is a company with no other shareholders except its parent company and any other subsidiary of its parent company or persons acting on behalf of its parent or such other subsidiaries.

Article 552 Definition of Control

1) Control, for the purpose of this chapter, is the power to govern, alone or with other shareholders, the financial and operating policies of a subsidiary.
2) Without prejudice to sub-article 1 of this article control of a subsidiary exists where a company owns, directly or indirectly, more than half of the voting rights in that

subsidiary, unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

3) Where one company holds half or less than half of the voting rights in another company, control exists if the former has:

(a) the right to exercise more than half of the voting rights by virtue of an agreement with other shareholders;

(b) the right to control the financial and operating policies of a company under the memorandum of association or any agreement;

(c) the right to appoint or remove the majority of the members of the governing body, and this body has control of the business; or

(d) the right to exercise the actual majority of votes at general meetings or an equivalent body and thus the actual control of the business.

4) Control is presumed to exist under sub-article 3) (c) and (d) of this article when a majority of the members of the governing body of a company has been appointed by a company holding half or less than half of the voting rights in the Relevant Company for two successive financial years. The Relevant Company is deemed to have effected such appointments if, during that financial year, it held a fraction of the voting rights greater than 40%, and if no other shareholder directly or indirectly held a fraction greater than its own.

Article 553 Calculation of Participation

1) In calculating voting right for the purpose of determining whether there is control, rights to subscription and purchase of shares carrying voting rights that are currently exercisable or convertible are to be included.
2) Any voting rights attaching to shares owned by the subsidiary itself or by its subsidiaries must be disregarded in the determination of the voting rights in a subsidiary held by the parent company.

Article 554 Duty to Disclose Control

(1) The management of the parent company must inform in writing the management of a subsidiary as soon as control has been established or removed.

(2) As soon as it is informed, the subsidiary, unless it is a foreign subsidiary and such obligation is not recognized by the law of the country whose rules apply to the subsidiary, must inform without delay the parent company of the number of shares and voting rights held by it in the parent company, and in any other companies.

Article 555 Reciprocal Holding of Shares

(1) A subsidiary may not hold any shares directly or indirectly in the parent company.

(2)Where five per cent or more of the capital of one company is held by a second company, the first company may not hold shares in the second company.

(3) Where two companies each have a capital holding in the other company and one of such holdings is ten per cent or more of the capital, the companies shall declare their holdings to the Ministry of Trade and Industry or another pertinent authority which shall require the companies by agreement to reduce their holdings so as to conform to the provisions of sub-art (2). If the companies fail to agree, the Ministry of Trade and Industry or another pertinent authority shall order the company possessing the smaller holding to dispose of that holding.

(4) Where the respective holdings are equal, and failing one company disposing of its shares in the other, each company shall reduce its holding to less than ten per cent of the capital of the other.

(5) The companies shall furnish to the Ministry of Trade and Industry or another pertinent authority a sworn statement that they have complied with either sub-article. (3) or sub-article (4) of this Article. The right to vote and participate in the distribution of profit conferred by the shares that should, thus, be transferred shall be suspended pending compliance with the provisions of this sub-article.

Article 556 Right to Give Instructions to the Management of the Subsidiary

1) A parent company, acting as a shareholder in the general meeting of shareholders or through its board of directors or senior management has the right to give instructions to the organs of management of its subsidiaries.

2) Subject to the conditions specified under Article 563 ("Interest of the Group) and the exception in sub-article 3 of this article, the organs of management of a subsidiary shall comply with the instructions issued by the parent.
3) Directors and managers who were not appointed by the parent company or by the controlling shareholder, but as a result of provisions in the memorandum of association, or a shareholders' agreement or of any law or regulation are not bound by any instructions.
4) A non-wholly-owned subsidiary needs to disclose in the Commercial Register kept by the Ministry of Trade and Industry or another pertinent authority whether or not its management is directed by the parent.
5) In the absence of a contrary disclosure, a wholly-owned subsidiary is presumed to be subject to instructions of its parent company and does not need to make a disclosure in the Commercial Register, except to disclose that it is wholly-owned.

Article 557 Right of Access to Information from the Subsidiary

The board of directors, or equivalent body, and the management of the parent company has the right to obtain any information from a subsidiary, unless such communication would violate the law of the country which applies to the subsidiary or the rights of third parties.

Article 558 Right to Squeeze-out

1) A parent company, controlling more than 90% of the shares and votes of the subsidiary, has the right to purchase the remaining shares.
2) The provisions under Article 294(2) to (7) shall apply to such purchase.

Article 559 Right of Shareholders of the Parent Company

1) The relationship between the companies of the group, including companies formerly members of the group, are subject to the rights of information and the right to request a special investigation.
2) Shareholders of the parent company shall, in particular, have the rights provided under Article 355, 358 and 381(1) (a) and (b) with respect to subsidiaries of the company.

Article 560 Corporate Opportunities within a Group

When a subsidiary is not wholly-owned, a parent company, including a foreign one, must not itself or through another subsidiary exploit a corporate opportunity of that subsidiary unless it has received the approval of the disinterested directors of the subsidiary, and if there are none, of the non-controlling shareholders of the subsidiary.

Article 561 Right of Shareholders in the Subsidiary to Request Investigation

The shareholders of a subsidiary that hold voting shares that represent ten percent of the capital can request a special investigation in the parent company in relation to a decision which has affected that subsidiary, under the same conditions as mentioned under Article 559.

Article 562 Right to Sell-Out

1) When a parent company owns directly or indirectly more than 90 % of the shares with voting rights in a subsidiary, the other shareholders may request that their shares be purchased by the parent company.
2) The shareholders of a subsidiary can request in court that the parent company or another person designated by it purchase their shares.
3) The provisions of Article 292(2) to (5) shall apply to the sell-out necessary changes having been made.

Article 563 Interest of the Group

1) If the management of a subsidiary, whether or not as a result of an instruction issued by the parent company, acts in a way contrary to the interests of the subsidiary, a director or manager shall not be deemed to have acted in breach of their fiduciary duties if

(a) the decision is in the interests of the group as a whole, and

(b) the management, acting in good faith on the basis of the information available to them and that would be available to them if they complied with their fiduciary duties before taking the decision, may reasonably assume that the damage will, within a reasonable period, be balanced by gain, and

(c) the damage, referred to in the first sentence hereof, is not such as would place the continued existence of the company in jeopardy.

(2) If the subsidiary is wholly-owned, sub-article (1) (b) does not apply.
(3) The management of the subsidiary may refuse to comply with instructions from the parent company if the conditions set in sub-article (1) are not satisfied.

Article 564 Wrongful Trading

(1) Whenever a subsidiary company, which has been managed according to instructions issued by its parent in the interest of the group, has no reasonable prospect, by means of its own resources, of avoiding a winding-up (reaches a crisis point), the parent company shall without delay effect a fundamental restructuring of the subsidiary or initiate its winding-up procedure.
(2) If the parent company acts in contravention of sub-article 1, it shall be held liable for any unpaid debts of the subsidiary company incurred after the crisis point.
(3) If the parent company has managed the subsidiary to the detriment of the subsidiary and in violation of the interest of the group, it shall be held liable for any unpaid debts of the subsidiary which are the consequences of the harmful instructions.
(4) The right to claim compensation provided for in sub-articles 2 and 3 hereof can be invoked only by the liquidator or trustee of the subsidiary. The liquidator or trustee, as the case may be, is obliged to exercise such claim if creditors holding 10 % of the debts of the subsidiary request it.

Chapter Two

Merger and Division of Business Organizations

Article 565 Merger of Business Organizations

1) Merger of business organizations is an operation whereby two or more organizations merge into one either by one of them acquiring the rest or two or more organizations forming a new organization and merging into the new one.
2) A merger by the formation of a new organization is the operation whereby two or more business organizations are wound up without liquidation by transferring all their assets and liabilities to an organization they themselves form. The shareholders or partners of the business organizations that are wound up are issued in exchange shares in the new organization. They may also be given, as the case may be, additional payment in cash.
3) A merger by acquisition is the operation whereby one or more business organizations are wound up without liquidation by transferring all their assets and liabilities to a preexisting organization. The shareholders or partners of the business organization that is

wound up are issued in exchange shares in the acquiring organization. They may also be given, as the case may be, additional payment in cash.

4) A business organization under liquidation to dissolve may merge with another organization before distribution of assets takes place.
5) Merger may take place between any forms of business organizations.

Article 566 Division of a Business Organization

1) Division is the operation whereby a business organization is wound up without liquidation by transferring all its assets and liabilities to more than one preexisting organizations or organizations newly formed by it. The shareholders or partners of the business organization that is divided are issued in exchange shares in the organizations to which the assets are divided. They may also be given, as the case may be, additional payment in cash.
2) A division by acquisition is the operation whereby a business organization is wound up without liquidation by transferring all its assets and liabilities to more than one other preexisting organizations. The shareholders or partners of the business organization that is divided are issued in exchange shares in the organizations to which the assets are divided. They may also be given, as the case may be, additional payment in cash.
3) A division by the formation of new organizations is the operation whereby a business organization is wound up without liquidation by transferring all its assets and liabilities to organizations formed by it. The shareholders or partners of the business organization that is divided are issued in exchange shares in the organizations to which the assets are divided. They may also be given, as the case may be, additional payment in cash.
4) Dividing/giving a certain portion of asset means separating a business unit that can subsist separately or part of assets of organization and transferring the same to a business organization that is under formation or to an existing organization by way of contribution.

Article 567 Merger or Division Plan

1) Merger or division plan shall be drawn up by each of the business organizations that participate in the merger or division and signed by the chairperson of the board of directors, or where the organization has no board, by the general manager.
2) The merger or division plan must state the following:
   a) The type, name and address of the head office of each of the business organizations involved in the merger or division;
   b) Where the merger or division, as the case may be, results in the creation of a new business organization, the type, name and the address of its head office;
   c) The economic *rationale* and condition of the merger or division;
   d) The approved, annual, consolidated financial report of each of the organizations involved;

e) A description of the assets or business unit that can subsist separately and liabilities that are transferred to the acquiring or newly formed business organization, estimate of their value and how the valuation was done;
f) The ratio applicable to the exchange of shares to be allotted owing to the merger or division and the determination of the amount of payment in cash, if any; the date from which the holding of such shares entitles the holder to participate in profits and any special conditions affecting that entitlement.
g) The amount of money to be paid to members that leave owing to their opposition to the merger or division;
h) The date from which the transactions of the business organization being acquired or divided shall be treated as being those of the acquiring or newly formed business organization;
i) The names of partners with unlimited liability, if any;
j) The rights and benefit to be accorded to preferred shareholders;
k) The duties and liabilities that the merger or division causes and its impact on creditors;
l) Comprehensive information regarding any payments or benefits paid or given or intended to be paid or given to independent experts or auditors for the evaluation of the merger or division plan and
m) A draft memorandum of association and other pertinent information if a new business organization is to be formed as a result of the merger or division.

Article 568 Merger or Division Report

1) The board of directors or the general manager, if the business organization does not have a board, of each of the merging or dividing business organization shall draw up a detailed written report explaining the merger or division plan to the general meeting of the shareholders or members of the organization.
2) The report indicated under sub-article (1) of this article shall include the following:
   a) Economic goals of the merger or division, and legal grounds if any;
   b) Merger or division agreement;
   c) The number of shares to be given to shareholders or partners in exchange, the manner in which the allotment is determined and the amount of payment in cash, if any;
   d) The payment in cash that is to be made to shareholders or partners that leave the business organization owing to their disapproval of the merger or division;
   e) Where the merger requires prior approval indication that approval has been secured from the pertinent body;
   f) The possible impact of the merger or division on the employees of the business organizations that engage in the merger or division and
   g) Any other relevant information.

Article 569 Examination of Merger or Division

1) The merger or division plan, report and other necessary conditions for the merger or division shall be examined by an independent and impartial expert.
2) Each of the business organizations involved in the merger or division shall appoint its own independent and impartial expert for the examination. Notwithstanding the foregoing a joint expert may be appointed where all the business organizations involved in the merger or division have agreed to that effect. The independent and impartial expert shall be appointed pursuant to the rules set out in this book for the appointment of the auditor of a share company.
3) The business organizations involved in the merger or division shall provide to the experts all the documents and other information necessary for the conduct of the examination.
4) The independent and impartial expert shall submit, in writing, to the shareholders or partners of the business organization that appointed him his own opinion regarding the matters that follow:-
    a) Whether, in the experts opinion, the number and type of shares to be issued in exchange to the members of the business organizations involved in the merger or division is fair and reasonable;
    b) The method or methods used to arrive at the share exchange ratio and type of shares proposed, and his opinion as regards whether such method or methods are appropriate in the case in question, and describe any special valuation difficulties which have arisen, if any;
    c) Whether the payment proposed to be made to shareholders or partners that may leave the business organizations owing to their disapproval of the merger or division is appropriate;
    d) a declaration as to whether the creditors of each of the business organizations involved in the merger or division, whose claims antedate the publication in a newspaper of the merger or division plan and have not fallen due at the time of such publication, can be considered to be sufficiently protected after the merger or division
    e) a statement as to whether the financial situation of the business organizations involved in the merger or division poses a particular risk to the rights of the creditors and proposed safeguards to be implemented.
5) The body that registers business organizations may exempt business organizations from the duty to conduct merger or division audit, having regard to their annual turnover or balance sheet, where these are below a certain threshold.

Article 570 Inspection of Documents

1) The merger or division plan, merger or division report, the report submitted by impartial expert and other relevant information shall be made available at the head office and branches of the business organization one month ahead of the meeting called to approve the merger or division.
2) The shareholders and creditors of each of the business organizations participating in the merger or division must be able to inspect and take copies of the documents indicated under sub-article (1) of this article.

Article 571 Decision regarding merger or division

1) The merger or division must be approved by the general meeting of each of the business organizations participating in the merger or division pursuant to the rules that apply to the amendment of the memorandum of association of the business organization.
2) The merger or division must also be approved by the special meeting of shareholders having preferred shares where the business organization engaged in merger or division is a share company that happens to have different classes of shares.

Article 572 Publicizing the Plan

1) The merger or division plan shall be publicized via a newspaper having a nationwide circulation once a month for two months starting from the date on which the plan is approved by the general meeting. The notice must, likewise, be posted at the head office of the business organization undergoing merger or division.
2) The notice indicated under sub-article (1) of this article must also be posted on the website of the business organization undergoing merger or division where the organization is a share company, and even if it is not, in so far as the organization happens to have a website.
3) The notice publicized pursuant to sub-articles (1) and (2) of this article shall indicate where and how the merger or division plan, he report drawn up by an impartial expert and the report prepared by the board of directors or, as the case may be, by the general manager can be found. It shall also indicate the deadline within which creditors may raise their objections.

Article 573 Effective Date of the Merger or Division

Merger or division shall be effective:-

1) Starting on the date of entry into the commercial register of the new business organization created as the result of the merger or the new business organizations created owing to the division.
2) It will be effective on the date of entry of the amendments to the memorandum of association of the pre-existing business organization into the commercial register, if the merger or division results from a course of action other than those indicated under sub-article (1) of this article.

Article 574 Effects of Merger and Division

1) Merger or division shall have the effects that follow.
   a) The winding up of the business organization that ceases to exist without the need for liquidation;

b) The transfer of all the assets and liabilities of the business organization that ceases to exist owing to the merger or division to the acquiring or newly formed business organization;
c) The issuance of shares in exchange to the shareholders or partners of the business organization that is wound up in the acquiring or newly formed business organization, and payment in cash, if need be, on the basis of the conditions set out in the merger or division plan;
d) Conferral of shares on members of the business organization that transferred a portion of its assets or a business unit to a business organization under formation or to an existing organization in the transferring organization itself or the newly formed business organization or the organization to which the assets are transferred, depending on the terms of their agreement.

2) Notwithstanding the provisions under sub-article (1)(c) and (d) of this article, no shares shall be issued in exchange for the shares in the business organization engaged in merger or division under the following circumstances:
   a) shares held in the business organization undergoing merger or division by the acquiring business organization itself directly or indirectly through a person acting in his own name but on its behalf;
   b) shares held in the business organization undergoing merger or division by such organization in itself directly or indirectly through a person acting in his own name but on its behalf.
3) Starting on the effective date, the merger or division may only be annulled by order of the court.
4) The court may annul a merger or division pursuant to sub-article (3) of this article only if, the requirements of this law for drawing up a merger or division plan or approval of the plan by the general meeting of shareholders or partners, as the case may be, of each of the business organizations that underwent merger or division have not been observed.

Article 575 Protection accorded to rights of members during merger or division

1) The shareholders or partners of the business organization shall be issued, based on the terms of the merger or division plan, shares and rights in exchange, in the acquiring or newly formed business organization, that are equal or equivalent to those they had in the business organization that was wound up or divided..
2) Where shareholders or partners could not be issued, pursuant to sub-article (1) of this article, shares that are equivalent to those that they had in the business organization that was wound up or divided they shall be paid in cash an amount that does not exceed 10% (ten percent) of the value of the shares issued to them.
3) Shareholders who had held non-voting shares or dividend shares in the business organization that is wound up or divided shall be issued shares that confer similar or equivalent rights in the acquiring or newly formed business organization.
4) Shareholders who held preferred shares in the acquired or divided business organization shall be issued shares that confer equivalent rights.

Article 576 The Rights of Creditors

1) Creditors whose claims against the business organizations participating in merger or division antedate the publication of the merger or division plan in a newspaper and have not fallen due at the time of such publication may petition the court to grant them adequate securities if one of the following conditions is fulfilled.
   a) where the assessment conducted by an impartial expert pursuant to Article 569(4)(d) concludes that the creditors are not sufficiently protected after the merger or division or
   b) If the impartial expert concludes the financial standing of the business organizations involved in the merger or division poses a particular risk to the rights of creditors and gives opinion regarding safeguards to be implemented.
2) The creditors must file their claim for adequate security pursuant to sub-article (1)(a) and (b) of this article no later than sixty days from the first publication of the merger or division plan in a newspaper pursuant to Article 572(1).
3) The court may order each business organization involved in the merger or the business organization to be divided to pay the creditors or provide adequate security for the payment of the debt.

Article 577 Rights of Debenture holders

1) Where the meeting of the debenture holders of the business organizations to merge or the organization to be divided disapproves the merger or division, the debtor organization shall redeem the debentures by paying the par value and interest due on the debentures to the debenture holders who submit their application no later than sixty days from the first publication of the merger or division plan in a newspaper.
2) The provisions under sub-article (1) of this article shall, likewise, apply to debenture holders of business organizations creating a new business organization by merger or division.
3) Where the business organization announces that it will pay the par value and interest to debenture holders, it shall redeem the debentures from all those who prefer that, without the need for convening the meeting of debenture holders, by making the appropriate payment.
4) The debenture holders that fail to submit their application within the time prescribed under sub-article (1) of this article shall be the creditors of the acquiring or newly formed business organization, as the case may be.

Title Eleven

Branches of Foreign Business Organizations

Article 578 Branch: Definition

1) A branch is a fixed establishment of a foreign business organization or a similar entity that is staffed and set up to pursue economic activity for gain on behalf and for the account of the said business organization or similar entity for a definite or indefinite period.
2) The branch does not have an autonomous legal entity distinct from that of the business organization or the similar entity that owns it.
3) The rights and obligations arising from its activity shall be part of the assets of the business organization or the similar entity that owns it.

Article 579 Right to do Business

A foreign business organization or a similar entity incorporated abroad may operate via a branch in Ethiopia provided it is entered into the Commercial Register kept by the Ministry of Trade and Industry or another pertinent authority.

Article 580 Disclosure at Registration

Without prejudice to the disclosure requirements imposed by other laws of Ethiopia, the following information shall be provided at the time of registration of a branch in the commercial register.

1) Activities of the branch;
2) The law of the state by which the business organization or similar entity is governed;
3) The register in which the business organization or similar entity is entered and the registration number;
4) The name and legal form of the business organization or similar entity;
5) Bankruptcy proceedings, arrangements, composition, or any analogous proceedings to which the business organization or similar entity is subject;
6) The accounting documents of the business organization or similar entity as drawn up, audited and disclosed pursuant to the law of the State by which the business organization or similar entity is governed and

7) A copy of the instruments of incorporation, a memorandum and articles of association, if they are contained in a separate instruments. These documents must also be translated either into English or Amharic.

Article 581 Management of a Branch

1) A branch must have its own manager, who fulfills the eligibility requirements for directors of a share company provided under Article 297 of the law.
2) A branch manager shall have the power to represent the foreign business organization or similar entity to some extent. The branch manager shall, at a minimum, have the power to represent the foreign business organization or similar entity in legal proceedings.

Article 582 Duties of a Branch Manager

Without prejudice to duties imposed on him under any other law, a branch manager shall:

1) Annually file into the Commercial Register maintained by the Ministry of Trade and Industry or any other pertinent authority the accounting documents of the foreign business organization or similar entity as drawn up, audited and disclosed pursuant to the law of the State by which the foreign business organization or similar entity is governed.
2) Provide an English or Amharic translation of the balance sheet or similar financial statement that can help creditors assess the financial standing of the foreign business organization or similar entity and file that along with the documents required to be filed under sub-article 1 of this Article.
3) Enter into the Commercial Register a statement disclosing the commencement of bankruptcy proceedings, arrangements, compositions, or any analogous proceedings regarding the business organization or similar entity owning the branch, as soon as he comes to know that.

Article 583 Deregistration

A branch shall be removed from the Commercial Register if any of the following occurs.

1) The foreign business organization or similar entity is dissolved;
2) The foreign business organization closes the branch;

3) The branch has no manager and this is not remedied within six months from the removal of the previous manager;
4) The branch manager has failed to file, as soon as reasonably possible, accounting documents and other statements regarding the foreign business organization or entity as required under Article 582 of this law and
5) A branch creditor establishes that his claim cannot be satisfied out of the foreign business organizations assets within Ethiopia.

Chapter Two
Applicability of Ethiopian Law

Article 584 Firms Established Abroad Having their Head Office in Ethiopia

Business organizations incorporated abroad or sole proprietorships established outside Ethiopia and whose head office or principal place of business is in Ethiopia shall be subject to the relevant provisions of this code and other laws of Ethiopia.

Article 585 Firms Incorporated in Ethiopia and Operating Abroad

The provisions of this law shall apply to business organizations or sole proprietorships incorporated or established pursuant to Ethiopian law and operating abroad.

Article 586 Firm Having a Form Other Than Those Recognized by this Law

Firms incorporated abroad, having a form which differs from those provided for under this law, shall be subject to the provisions of this law concerning share companies, as appropriate, regarding entry into the commercial register of resolutions of general meetings of shareholders and the liability of directors.

Article 587 Firms in which Foreign Interests are Represented

Nothing in this law shall affect the application of other Ethiopian laws prohibiting, or subjecting to special conditions, the exercise of certain activities by firms in which foreign interests are represented.

Book Three

Preventive restructuring, reorganization and bankruptcy Law

Title One

General Provisions

Chapter I

Objectives and scope

Article 588 Objectives of proceedings

1) The objective of preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings is to promote economic stability, maximize the value of the estate and ensure legal certainty through efficient, effective and timely procedures.
2) The objective of preventive restructuring proceedings is to ensure that, with the unanimous consent of affected creditors, viable debtors in financial difficulties are able to contractually, at a very early stage, efficiently and effectively restructure their debts and continue operating, or to prepare for the sale of the business as a going-concern.
3) The objective of reorganization proceedings is, with the consent of a qualified majority of affected creditors, to timely, efficiently and effectively restructure the debts as well as operations of the debtor in a reorganization plan or realize the sale of its business as a going-concern to the benefit of its creditors.
4) The objective of bankruptcy proceedings is to timely, efficiently and effectively organize the liquidation of the debtor's business, whether by piecemeal liquidation or by a sale of business as a going-concern, in order to maximize the value of the assets available for recovery by creditors, to ensure for honest debtors a fresh start after a full discharge of their debts and to provide for sanctions against debtors and their management as well as creditors that are responsible for its bankruptcy.

Article 589 Scope of the proceedings

1) The proceedings referred to in this Book shall apply to traders and business organizations, other than joint ventures not having legal personality, as well as craftsmen and natural persons exercising independent professional activities.
2) Without prejudice to the special laws regulating preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings of banks and other financial institutions, the proceedings referred to in this Book shall apply to banks and other financial institutions.
3) Without prejudice to the special laws regulating preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings of state-owned enterprises (SOEs), the proceedings referred to in this Book shall apply to SOEs.
4) Special laws may be issued for preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings of specialized business activities.

Chapter II

Definition of cessation of payments and pre-insolvency claims

Article 590 Definition of cessation of payements

1) Cessation of payments shall occur when the debtor is unable to pay its debts which are due and payable with its liquid assets.
2) For the purpose of Sub-article (1), liquid assets shall include credit reserves, overdraft and similar facilities available to the debtor.
3) Debts which are granted grace periods, moratoria or debts which are the subject of standstill arrangements shall not be considered to be due and payable.
4) For the purpose of Sub-article (1) of this Article, debts shall be considered due and payable only after the creditor has complied with a default notice as required by law.

Article 591 Determining the date of cessation of payments

1) At the Court hearing opening the proceedings, the Court shall verify whether the debtor is in cessation of payments and fix the date of cessation of payments.

2) The court may, at its discretion, appoint an investigator for the purpose of investigating into the affairs and activities of the debtor. The investigator so appointed may request the assistance of the supervisor in reorganization or the trustee in bankruptcy, where one has already been appointed.
3) All information collected by the investigator shall be reported to the court within thirty days unless an extension is given by the court.
4) Within one year after the opening of proceedings, the supervisor in reorganization, the trustee in bankruptcy, a controller, the public prosecutor or a creditor may file an application to the court to reassess and redetermine the date of cessation of payments. The court may for this purpose appoint an expert to investigate the affairs and activities of the debtor.
5) The period starting at the date of cessation of payments as fixed by the court in accordance with Sub-article (1) and the date of the opening of proceedings shall be considered as suspect period. The duration of the suspect period shall be limited to a maximum period of eighteen (18) months.

Article 592 Pre-insolvency claims

1) For the purpose of this Book, pre-insolvency claims refer to all the claims that arise prior to the opening of reorganization proceedings, or bankruptcy proceedings, as the case may be, including interests thereon, irrespective of whether these claims are due and payable.
2) In the case of ongoing contracts, claims arising from the continued performance of the contract after the opening of reorganization proceedings or bankruptcy proceedings, as the case may be are post-insolvency claims.
3) In the case of the termination of ongoing contracts by the supervisor in reorganization or the trustee in bankruptcy, penalties and other forms of indemnities resulting from the termination shall be considered to be pre-insolvency claims.

Chapter III

Treatment of ongoing contracts

Article 593 Continuation or termination of ongoing contracts

1) The opening of preventive restructuring, reorganization and bankruptcy proceedings shall not affect the continuation of ongoing contracts.
2) Ongoing contracts are contracts, including, but not limited to, essential services contracts and immovable property leases where the debtor carries out his business, including premises forming part thereof and occupied by himself or his family, between the debtor and one or more creditors under which, at the moment of the opening of proceedings, at least one party still have to perform an obligation which is specific to the contract.
3) Notwithstanding any contractual provision to the contrary, creditors may not be allowed to withhold performance or terminate, accelerate or, in any other way modify ongoing contracts to the detriment of the debtor, solely by reasons of:
    a) a request for an opening or the opening of preventive restructuring, reorganization or bankruptcy proceedings; or
    b) a request for a single stay of individual enforcement actions, or the granting of such a stay in the framework of preventive restructuring proceedings.
4) The supervisor in reorganization or trustee in bankruptcy may terminate an ongoing contract where:
    a) the debtor, in case of reorganization proceedings, or the estate, in case of bankruptcy proceedings, does not have the financial means to continue to perform the ongoing contract; or
    b) the continuation of the ongoing contract is not in the interest of the debtor, in case of reorganization proceedings, or the estate, in case of bankruptcy proceedings; or
    c) such early termination does not unfairly prejudice the interests of creditors.
5) Creditors may request the supervisor in reorganization or trustee in bankruptcy to decide on the continuation of the ongoing contract. The supervisor in reorganization or trustee in bankruptcy shall decide on the continuation or termination of the ongoing contract and notify his decision to creditors within fifteen days after the receipt of such request. Failing such notification, the ongoing contract shall be deemed to be automatically terminated.
6) In case of continuation of ongoing contracts, the supervisor in reorganization or trustee in bankruptcy shall ensure the fulfilment of the contracts' obligations by the debtor.
7) Creditors may not claim the payment of any pre-insolvency claim arising under the contract as a condition precedent for the continuation of the contract.

Article 594 Opposition

1) Creditors may submit an opposition to the decision to continue or terminate an ongoing contracts. Such opposition shall be filed within seven days from the date of the decision of the supervisor in reorganization or trustee in bankruptcy.
2) Any opposition shall be decided by the supervisory judge within seven days from the opposition.
3) The order of the supervisory judge on the opposition may be subject to an appeal to be filed with the Court within ten days from the date of the decision of the supervisory judge.

Article 595 Special provisions with respect to immovable business leases

1) Notwithstanding the provisions of Article 593 of this code where immovable property business leases are continued, any contractual provisions providing for immediate payment of leases before the end of such period shall be ineffective during the first four months of the observation period in reorganization proceedings or during the duration of the continuation period as provided for in 0, in bankruptcy proceedings.
2) Where immovable property business leases are continued, and where the lessor has received payment of all lease installments at the conclusion of the lease agreement or has received adequate securities for such payment, the lessor may not demand any current and future lease installment arising after the date of the opening of proceedings.
3) Notwithstanding any contractual provisions, the trustee in bankruptcy may assign leases agreements for the remaining period, provided that the purpose for which the premises are utilized may not be changed. Where appropriate, the supervisory judge may authorize such change.

Article 596 Exceptions

Notwithstanding the provisions of Article 593 of this code the following contracts shall be governed by the relevant laws:

a) Employment contracts;
b) Banking and insurance contracts;
c) Administrative contracts;

d) Contracts concluded in the framework of financial markets, including stock exchange.

Chapter IV
Rights of creditors

Article 597 Protection of creditors' interests

1) The overarching principle of proceedings set out in this Book is to protect the legitimate interests of creditors.
2) In preventive restructuring proceedings, the restructuration plan shall be approved unanimously by all affected creditors.
3) In reorganization proceedings, the restructuration plan shall be approved by the qualified majority of affected creditors and the sale of the business as a going-concern shall be approved by a majority of creditors.
4) In bankruptcy proceedings, the sale of the business as a going-concern, or substantial portion thereof shall be approved by a majority of creditors.

Article 598 Participation of creditors

Creditors shall have the right to submit their observations and be heard at court hearings throughout proceedings.

Article 599 Information rights

1) A creditor, a group of creditors, a class of creditors or the general creditors' meeting shall have the right to request all relevant information from the expert in the field of restructuring, the supervisor in reorganization and the trustee in bankruptcy.
2) Such a request shall be made in writing and the expert in the field of restructuring, the supervisor in reorganization and the trustee in bankruptcy shall provide a response within ten days from the receipt of such request, and shall satisfy the request as quickly as possible.

3) Where a request is unjustified or overly burdensome, the expert in the field of restructuring, the supervisor in reorganization and the trustee in bankruptcy may decline such request.

Chapter V
Jurisdiction

Article 600 Territorial jurisdiction

1) The Ethiopian Court having jurisdiction in preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings shall be the Federal High Court of the place where the individual's principal place or the registered office of the company or the legal person is situated.
2) The Court having opened preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings shall have jurisdiction for actions which derive directly from these proceedings and are closely linked with them, such as actions regarding:
   a) the restructuring and reorganization plan;
   b) the confirmation of the sale of the business as going-concern;
   c) ongoing contracts;
   d) liability of the supervisors, trustees, controllers and directors of the debtor;
   e) submission, verification and admission of claims;
   f) rights *in rem*;
   g) set-off;
   h) the sale or transfer of assets;
   i) ranking of claims;
   j) distribution of proceeds;
   k) invalidation of acts;
   l) validation and enforceability of contracts;
   m) the discharge of the debtor;
   n) closure of the proceedings.

Article 601 Group of companies and procedural coordination

1) Each legal entity of a group of companies and their estates shall remain independent. The Court may not extend the proceedings opened in favor of an entity of the group of companies to another legal entity or physical person.
2) The Court having first opened proceedings for a legal entity of a group of companies is territorially competent to open proceedings for other group members. The Court may appoint the same supervisor in reorganization or trustee in bankruptcy for all proceedings of the group.
3) Where two or more legal entities of a group of companies are subject to proceedings which have been opened by one or several Courts in Ethiopia, such Courts, supervisors and the trustees shall cooperate and coordinate, to the extent possible, to establish a reorganization plan or facilitate the sale of the business as going-concern for the various members of the group.
4) The cooperation and coordination referred to in Sub-article (3), may be implemented by any means that the Court, the supervisor in reorganization and the trustee in bankruptcy consider appropriate, in particular through:
    a) the coordination in the appointment of supervisors in reorganization and trustees in bankruptcy;
    b) the communication of any relevant information;
    c) the coordination of the administration and supervision of the assets and affairs of the group members;
    d) the coordination of the conduct of hearings;
    e) the coordination in the approval of the global reorganization plan or of the sale of the business as going-concern for various or all entities of the group.

Article 602 International jurisdiction for the opening of proceedings and related judgements

1) The Ethiopian Courts have jurisdiction to open main proceedings if the center of the debtor's main interest is situated in Ethiopia. The center of main interest shall be the place where the debtor conducts the administration of its interest on a regular basis and which is ascertainable by third parties. In the case of a company or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary.

In case of a physical person, the center of its main interests shall be presumed to be the principal place of business in the absence of proof to the contrary.

2) The judgement opening preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings with respect to a debtor having its center of main interest in Ethiopia shall have universal effect.
3) Ethiopian Courts have jurisdiction to open territorial proceedings if an establishment of the debtor is situated in Ethiopia. The establishment shall be the place of operations where the debtor carries out a non-transitory economic activity with human means and assets.
4) The effects of territorial proceedings of the debtor having an establishment in Ethiopia shall be restricted to the assets of the debtor situated in the territory of Ethiopia.
5) Ethiopian Courts have jurisdiction for actions which derive directly from these proceedings and are closely linked with them as referred to in Article 600(2) of this code.

Article 603 Recognition of foreign judgements, including insolvency-related judgements

1) The judgement opening preventive restructuring, reorganization, bankruptcy and insolvency proceedings as well as insolvency-related judgements handed down by the jurisdictions of another originating State shall only be recognized by Ethiopia jurisdictions provided that:
   a) the foreign judgement is not contrary to Ethiopia's public order, including its fundamental principles of procedural fairness;
   b) the foreign judgement has not been obtained by fraud;
   c) the foreign judgement has been handed down by a competent Court in accordance with Ethiopia's conflict of jurisdictions rules;
   d) the foreign judgement is in line with Ethiopian's international treaties or agreements;
   e) no preventive restructuring proceedings, reorganization proceedings and bankruptcy proceedings have been opened in Ethiopia with respect to the same debtor;
   f) the foreign judgement is not inconsistent with a judgement issued in Ethiopia in a dispute involving the same parties;
   g) upon its exequatur, the effects of the foreign judgement opening insolvency proceedings shall be limited to the assets of a debtor situated in the territory of Ethiopia;
   h) the foreign judgement has effect and is enforceable in the originating State; and

i) recognition and enforcement would not interfere with the administration of the debtor's insolvency proceedings or would not conflict with a stay or other order issued in insolvency proceedings relating to the same debtor commenced in Ethiopia.

2) When recognition and enforcement of a judgement opening preventive restructuring, reorganization, bankruptcy and insolvency proceedings as well as an insolvency-related foreign judgement is sought, the following shall be submitted to the Court:
   a) A certified copy of the insolvency-related foreign judgement; and
   b) Any documents necessary to establish that such foreign judgement has effect and is enforceable in the originating State; or
   c) in the absence of evidence referred to in sub-paragraphs (a) and (b), any other evidence on those matters acceptable to Ethiopian Courts.
3) Subject to international agreements or conventions, the supervisor in reorganization proceedings and the trustee in bankruptcy proceedings shall not accept a request for claims of tax or customs duty and fine based on decisions of foreign governments.

Chapter VI

Persons and bodies responsible for the conduct of proceedings

Article 604 Powers of the bankruptcy Court

1) The Court which has opened reorganization or bankruptcy proceedings shall supervise all proceedings and shall make orders on matters which are outside the powers of the supervisory judge. It shall hear appeals from orders of the supervisory judge.
2) The Court shall have the power to hear and decide on all cases connected with reorganization and bankruptcy proceedings, including matters referred to in Article 600(2) of this code.

Article 605 Appointment of the supervisory judge

The Court shall appoint a supervisory judge in the judgement opening reorganization and bankruptcy proceedings. The supervisory judge shall be chosen from among the members of the Court but may not be a member of the Court which opens these proceedings.

Article 606 Powers of the supervisory judge

The supervisory judge shall have the following powers:

1) admit pre-insolvency claims against the estate;
2) take or cause to be taken by the appropriate Authorities all steps and measures necessary to preserve the assets;
3) authorize transactions or agreements which are outside the ordinary course of business;
4) decide on the continuation or termination of ongoing contracts;
5) authorize the payment of pre-insolvency claims;
6) decide on the disputes arising in connection with the constitution of the classes of creditors.

Article 607 Orders of the supervisory judge

Orders of the supervisory judge shall be deposited without delay in the Court registry and shall be notified to all interested parties by a registered letter or any other electronic means with a receipt of acknowledgement.

Article 608 Replacement of the supervisory judge

The court may at any time, of its own motion, replace the supervisory judge for a justified cause.

Article 609 Enforceability of judgements

All decisions, judgements and orders of the bankruptcy court or of the supervisory judge shall be enforceable immediately.

Article 610 Reorganization and bankruptcy professionals

The supervisor in reorganization and the trustee in bankruptcy shall be chosen from among the members of the same professions.

Article 611 Regulation for persons and bodies to be appointed in the proceedings

1) Experts in the field of restructuring, supervisors in reorganization and trustees in bankruptcy shall be bound by rules of professional conduct and ethical standards appropriate to their respective professions.

2) Special regulations shall be issued to regulate further persons and bodies to be appointed in the proceedings.

Article 612 Qualifications of supervisors in reorganization and trustees in bankruptcy

1) The court shall appoint supervisors in reorganization and trustees in bankruptcy from among qualified members of legal, accounting, auditing, finance, management and similar such professions having relevant experience. In appropriate cases, the court may appoint supervisors in reorganization and trustees in bankruptcy from members of other professions where it deems that a particular person has the requisite qualifications to carry out his duties with competence.
2) Special regulations shall be issued governing matters such as qualifications, competence, licensing, supervision, liability, disqualification and professional rules of conduct of supervisors in reorganization and trustees in bankruptcy.

Article 613 Competence and integrity of supervisors in reorganization and trustees in bankruptcy

Supervisors in reorganization and trustees in bankruptcy shall:

1) be competent to undertake the work for which they are appointed and to exercise the powers given to them;
2) act with integrity, impartiality and independence;
3) be subject to removal by the court for incompetence, negligence, fraud or other wrongful conduct.

Article 614 Liability of supervisors in reorganization and trustees in bankruptcy

1) Supervisors in reorganization and trustees in bankruptcy shall:
   a) be deemed to be public officials in the exercise of their functions;
   b) carry out their duties with all care;
   c) be liable for gross negligence or willful misconduct, notwithstanding special causes of liabilities set out in this Book or in other regulations.
2) The supervisor and the trustee who replace the supervisor in reorganization or trustee in bankruptcy, a controller, the public prosecutor and the debtor in possession in reorganization

proceedings may bring a liability action against the supervisor in reorganization or the trustee in bankruptcy before the court that shall have exclusive jurisdiction to hear such cases.

3) Any action under Sub-article (2) shall be time barred where it is not brought within one year from the closure of the proceedings. Such timeline shall not be subject to any interruption or suspension.

Article 615 Persons who may not be appointed as supervisors in reorganization and trustees in bankruptcy

1) The following persons shall not be appointed as supervisors in reorganization and trustees in bankruptcy:
   a) any person who has been convicted of any offence involving a breach of trust or fraud, whether in Ethiopia or elsewhere;
   b) any person who has been deprived of civil rights;
   c) any shareholder, manager or director of the debtor;
   d) any relative by consanguinity or affinity up to a fourth degree inclusive of a shareholder, manager or director of the debtor;
   e) any creditor of the debtor;
   f) any other person having or likely to have conflict of interests.
2) The supervisor in reorganization and the trustee in bankruptcy shall not acquire any asset or property of the debtor. Any acquisition in violation of this provision shall be of no effect. Supervisors in reorganization and trustees in bankruptcy who violate this rule shall be removed.

Article 616 Remuneration of supervisors in reorganization and trustees in bankruptcy

1) The supervisor in reorganization and the trustee in bankruptcy shall be entitled to a reasonable remuneration in order to carry out their duties and exercise their powers, taking into consideration, in particular, the complexity of the case.
2) The court shall fix the reasonable remuneration in the judgement opening reorganization or bankruptcy proceedings.

3) The court may, on the application of the supervisor in reorganization, the trustee in bankruptcy, a manager of the debtor or a creditor, review the supervisor or trustee's remuneration at a level that is reasonable in the circumstances.
4) The supervisor in reorganization and the trustee in bankruptcy shall not be entitled to receive any other amount except as a reimbursement of his costs and expenses to be paid out of the estate.
5) The particulars of the remuneration may be determined in special regulations.

Title Two
Preventive Restructuring Proceedings

Article 617 Opening of preventive restructuring proceedings

1) Preventive restructuring proceedings shall be available upon the sole application of a debtor, which is not yet in cessation of payments or has been in cessation of payments for less than forty-five days and faces actual or foreseeable economic or financial difficulties.
2) The debtor shall provide the bankruptcy Court with its latest financial statements, a memorandum outlining the circumstances of its financial difficulties and means to resolve them, as well as cash-flow projections. The Court may order the debtor to provide any further documentation and information it deems necessary and may order third parties such as banks or tax authorities to provide them.
3) Without prejudice to the mandatory laws of Ethiopia, restructuring may include changing the composition, conditions or structure of a debtor's assets and liabilities or any other part of the debtor's capital structure or sales of assets or parts of the business or the whole business as a going-concern, as well as any necessary operational changes, or a combination of those elements.

Article 618 Duration of the Proceedings

1) The preventive restructuring plan shall be concluded with the affected creditors within four months.

2) Notwithstanding the provisions of Sub-article (1) of this article, the Court may grant an extension provided that the debtor demonstrates that it is likely that the restructuring plan would be accepted unanimously by the affected creditors. The total duration for the plan to be concluded, including extensions and renewals, shall not exceed eight months.
3) The debtor's obligation to file for the opening of bankruptcy proceedings shall be suspended for the duration of the preventive restructuring proceedings.

Article 619 Appointment of an expert in the field of restructuring

The president of the Court shall appoint, upon the suggestion of the debtor, an expert in the field of restructuring for the duration of the proceedings.

Article 620 Replacement of the expert in the field of restructuring

1) At any time during proceedings, a creditor may file an application to the Court for the replacement of the expert in the field of restructuring.
2) The Court may grant such an application in its own discretion.
3) Notwithstanding Sub-article (2), the Court shall grant such an application and appoint the expert in the field of restructuring suggested by the applicant where creditors, representing two-third of the total amount of claims subject to preventive restructuring proceedings, support such appointment.

Article 621 Duties of the expert in the field of restructuring

1) Acting independently, the expert in the field of restructuring shall, among others, carry out the following tasks:
   a) determine the creditors participating in the preventive restructuring proceedings;
   b) assist the debtor and the creditors in drafting and negotiating a restructuring plan;
   c) convene and preside over the creditors' meetings;
   d) supervise the activities of the debtor during the negotiations on a restructuring plan and report periodically to the Court on the progress of the negotiations;
   e) present the restructuring plan to the Court for confirmation; and
   f) prepare the sale of the business as a going-concern, as the case may be.
2) In meeting his duties, the expert in the field of restructuring may:

a) order the debtor or any third party to provide necessary additional financial or accounting information;
b) appoint independent experts including to audit the financial situation and business plan of the debtor.

Article 622 Remuneration of the expert in the field of restructuring

The remuneration agreed upon between the debtor and the expert in the field of restructuring shall, at the time of the appointment, be subject to approval by the Court.

Article 623 Confidentiality

The opening of preventive restructuring proceedings including information exchanged during the proceedings and the restructuring plan shall remain strictly confidential and the Court proceedings shall be held in camera. Any violation of this provision shall result in civil and criminal liabilities in accordance with relevant laws.

Article 624 Debtor in possession

During the preventive restructuring proceedings, the debtor shall remain in possession and shall have the power to take all decisions falling within the ordinary course of business. Any decision outside the ordinary course of business, such as the sale of significant assets and the creation of a security interest, shall require the prior approval of the expert in the field of restructuring.

Article 625 Single stay of actions

1) In order to support the negotiations of a restructuring plan, the debtor may apply to the Court for a single stay against a creditor who has requested payment of its claim or has started enforcement actions. The Court shall hear the observations of the expert in the field of restructuring.
2) Single stay of actions means a temporary suspension on the enforcement of a claim by a single creditor against a debtor or a third party security provider. The stay of actions shall cover all types of claims, including secured and preferential claims.
3) The total duration of the single stay of actions shall not last longer than the duration of the preventive restructuring proceedings.

Article 626 Payment of debts arising in the ordinary course of business

1) The debtor shall pay all debts arising in the ordinary course of business, except for the claims already subjected to a single stay as provided for in Article 625 of this code.
2) Where the debtor anticipates that he will be unable to pay all debts arising in the ordinary course of business, the debtor shall file for the opening of reorganization proceedings.
3) In case of cessation of payments, the debtor shall file for bankruptcy proceedings in accordance with Article 705(2).

Article 627 Adoption of the restructuring plan

1) The restructuring plan is prepared by the debtor with the assistance of the expert in the field of restructuring. The creditors shall have the right to seek to amend the restructuring plan and make counter-proposals.
2) The restructuring plan shall be accepted by all affected creditors participating in the preventive restructuring proceedings.
3) The restructuring plan may provide for:
    a) the rescheduling of the claims of the affected creditors;
    b) the waiver of claims of the affected creditors;
    c) the settlement of claims through the issuing of financial debt instruments subject to laws regulating the issuance of financial debt instruments;
    d) the conversion of claims of the affected creditors into equity;
    e) subject to the mandatory provisions of this Code, the reduction and increase of capital of the debtor to be subscribed to by creditors or third party investors;
    f) the sale of existing or issuance of new shares in favor of creditors or third party investors.

Article 628 Protection for new financing

1) The new financing shall be subject to the confirmation by the Court in the framework of the homologation of the restructuring plan. New financing means any new financing provided by an existing or a new creditor in order to implement a restructuring plan, included in that restructuring plan and confirmed subsequently by the Court.

2) The grantors of new financing shall not incur civil, administrative or criminal liability on the ground that such financing is detrimental to the general body of creditors.
3) New financing shall have priority over unsecured creditors in case of the subsequent opening of bankruptcy proceedings.

Article 629 Confirmation of the restructuring plan by the Court

1) The Court shall confirm the restructuring plan.
2) In confirming the restructuring plan, the Court shall verify that:
   a) third parties' interests are adequately protected in particular with respect to the taking of security interests and in the framework of new financing;
   b) the restructuring plan has a reasonable prospect of preventing the bankruptcy of the debtor and assuring the viability of the business.
3) In the event that terms of the restructuring plans require the approval of the shareholders, such approval shall be made in accordance with the provisions of the Commercial Code.
4) In case of new money financing, the extract of the judgement indicating the privileged amount of new money financing shall be publicly available.
5) Guarantors may invoke the benefit of the terms of the restructuring plan. Any disputes in relation to this Sub-article shall be heard by the Court opening preventive restructuring proceedings.
6) Upon confirmation of the plan by the Court, the restructuring plan shall be deemed to constitute an executory title.

Article 630 Appeal

1) The debtor may appeal against the judgement of the Court rejecting the restructuring plan.
2) Appeals under Sub -article (1) shall be filed within ten days from the judgement rejecting the restructuring plan.

Article 631 Third parties' opposition

Third parties may file an opposition against the new financing privilege to the Court. The opposition shall be filed within twenty days from the publication of the judgement.

Article 632 Setting aside the restructuring plan

1) Where the debtor fails to carry out the terms of the restructuring plan, a creditor may file an application to the Court to set aside the restructuring plan and to open reorganization or bankruptcy proceedings.
2) The opening of reorganization or bankruptcy proceedings shall result in the automatic setting aside of the restructuring plan.
3) The setting aside of the restructuring plan shall have no retroactive effect. In particular, creditors shall retain, without any possibility of claw-back, the amounts received under the restructuring plan. Creditors shall retain the benefit of new financing privilege priority obtained under Article 628 of this code.
4) Notwithstanding Sub-article (3) of this article, the rescheduling of claims and any grace period provided under the restructuring plan shall automatically cease to have effect. Creditors shall recover all claims and security interests that have been waived under the restructuring plan.

Article 633 Amendments to the restructuring plan

1) Notwithstanding the provision of Article 629(6) of this code, the parties may agree to amend the restructuring plan after its confirmation.

2) Such an amendment shall be valid and binding between the parties without being subject to any confirmation to the Court under Article 629 of this code.

Article 634 Conversion of preventive restructuring proceedings to reorganization proceedings or bankruptcy proceedings

1) At the request of the debtor, the Court may convert preventive restructuring proceedings to reorganization proceedings or bankruptcy proceedings, where at the end of preventive restructuring proceedings, no restructuring plan has been agreed upon among the parties.
2) Acting on its own motion, the Court may convert preventive restructuring proceedings to bankruptcy proceedings where:
    a) the restructuring plan has been rejected by the Court; or
    b) the restructuring plan has been set aside.

3) At the request of the debtor, the Court may convert preventive restructuring proceedings to reorganization proceedings where the expert in the field of restructuring has received an offer for the purchase of the business as a going-concern in accordance with Article 689 of this code.

Title Three
Reorganization Proceedings

Chapter One
General provisions

Article 635 Request for the opening of reorganization proceedings

1) The Court may open reorganization proceedings:
   a) at the request of the debtor, where he is not in cessation of payments or has been in cessation of payments for less than forty-five days, provided that he is facing financial difficulties that he is unable to overcome;
   b) at the request of a creditor or the public prosecutor, where the debtor is in cessation of payments and no preventive restructuring proceedings is pending;
   c) in case of the application by a creditor or the public prosecutor to open bankruptcy proceedings, at the request of the debtor where he can prove that he has been in state of cessation of payments for less than forty-five days.
2) At the request of a creditor, the public prosecutor or acting *ex* officio, the Court shall not open reorganization proceedings for the benefit of dishonest debtors who have, in particular, fraudulently concealed part of their assets, fraudulently omitted certain creditors, increased their liabilities without any cause or committed any other fraudulent acts.

Article 636 Obligations of the debtor

The debtor shall fully cooperate with persons and bodies supervising or responsible for proceedings.

Article 637 Submission of documents

1) The following documents shall be submitted as annexes to an application by the debtor for the opening of reorganization proceedings:
   a) the last three balance sheets or financial statements of the business organization;
   b) a profit and loss account;
   c) a cash flow statement in order to demonstrate that the debtor is able to finance the observation period;
   d) a list of commercial credits and debts, with the names and address of the creditors and debtors.
2) Where the debtor is not in a position to provide the Court for a complete set of documents, the debtor shall explain the reasons in the petition.
3) The Court may ask the debtor to submit any further relevant documents and may ask any third party to provide such documents, in particular banks and public administrations.
4) The petition submitted by creditors shall comprise an affidavit and the following documents:
   a) evidence that creditors have a due and payable claim that has not been paid;
   b) evidence showing why the debtor was unable to effect payments;
   c) evidence showing the reasons why the creditor, using ordinary civil procedures could not or was no longer in a position to enforce his claims against the debtor;
   d) evidence showing that the debtor is in a situation of cessation of payments.

Article 638 The judgement opening reorganization proceedings

1) The judgement opening reorganization proceedings shall have effect on all parties as of the beginning hour of the day on which the judgement has been handed down by the Court.
2) The judgement opening reorganization proceedings shall be enforceable immediately.

Article 639 Appeal against the judgement rejecting the opening of reorganization proceedings

1) The debtor, a creditor or the public prosecutor may appeal against the judgement rejecting the opening of reorganization proceedings within ten days from the date on which such judgement was handed down.
2) The appeal shall be heard summarily and decided within two months and the judgement shall be enforceable immediately.

Article 640 Setting aside or appeal against the judgement opening reorganization proceedings

1) The public prosecutor may appeal against or request the court to set aside the judgement opening reorganization proceedings within ten days from the date of the publication of such judgement.
2) Creditors who did not apply for the opening of reorganization proceedings may ask the court to set aside the judgement opening the reorganization proceedings within ten days from the date of the publication of such judgement.
3) The appeal shall be heard summarily and decided within two months and the judgement shall be enforceable immediately.

Article 641 Non-appealable judgements

The judgements concerning the appointment or replacement of the supervisory judge, the supervisor in reorganization, or controllers shall not be open to appeal or to set aside.

Article 642 Appointment of the supervisor in reorganization

1) The court shall appoint a supervisor in reorganization, in accordance with 0 to 0, in the judgement opening reorganization proceedings. In complex cases, the court may appoint two supervisors in reorganization. The court may appoint the person suggested by the debtor.
2) Where several supervisors are appointed, they shall act jointly except where the court authorizes them to act individually.
3) Where the expert in the field of restructuring has prepared the sale of the business as a going-concern, the court shall appoint him as a supervisor in reorganization.

Article 643 Replacement of the supervisor in reorganization

1) At any time during proceedings, the supervisory judge, a creditor, a controller, or a public prosecutor, may file an application to the Court for the replacement of the supervisor in reorganization.
2) The Court may grant such an application in its own discretion.
3) Notwithstanding Sub-article (2) of this article, the Court shall grant such an application and appoint the supervisor in reorganization suggested by the applicant where creditors, representing a majority of the total amount of pre-insolvency claims, support such appointment.

Article 644 Powers and duties of the supervisor in reorganization

During reorganization proceedings, the supervisor in reorganization shall have the following powers and duties:

1) supervise the debtor with respect to the conduct of the ordinary course of business;
2) receive information enabling him to know the exact position of the debtor's estate from public authorities, social security institutions, credit institutions and other institutions;
3) supervise the debtor in the preparation of the inventory of the estate;
4) assist the debtor in the preparation of the reorganization plan;
5) constitute classes of creditors, where applicable;
6) organize the sale of the business as a going-concern;
7) deposit in a bank account opened in the name of the estate any fund received outside of the ordinary course of business of the debtor;
8) recommend to the supervisory judge the admission or rejection of pre-insolvency claims;
9) prepare a detailed report on the affairs and conduct of the debtor to be deposited with the Court's registrar at least five days before the classes of creditors' meeting or the general creditors' meeting;
10) prepare a detailed report on the various reorganization plans including guarantees offered to creditors to be deposited with the Court's registrar at least five days before the classes of creditors' meeting or the general creditors' meeting;
11) preside over the classes of creditors' meetings and the general creditors' meetings;

12) request the supervisory judge for the appointment of suitable independent experts, in particular to audit the financial situation and business plan of the debtor and prepare the inventory and valuation of the debtor's property;
13) file a report with the court within thirty days from the termination of his services, or, at the latest, within thirty days from the termination of the proceedings.

Article 645 Appointment of controllers

1) The supervisory judge shall appoint up to five controllers from among creditors at their request. The supervisory judge shall ensure that a controller is selected from among secured creditors and another one from unsecured creditors.
2) No relatives by consanguinity or affinity of the debtor or manager of the debtor up to a fourth degree inclusive, or no person owning directly or indirectly equity or interest in the debtor's estate, may be appointed as a controller.
3) Controllers shall defend the general interest of all creditors and shall assist the supervisor in reorganization in the preparation and implementation of the reorganization plan.
4) Controllers may not be entitled to receive any remuneration, except the reimbursement of their costs and expenses as approved by the supervisor in reorganization.
5) Controllers shall not acquire any asset of the debtor's estate. Any acquisition in violation of this provision shall be of no effect and the controller who violates this rule shall be removed.

Article 646 Replacement of controllers

The supervisory judge may at any time, of his own motion, or at the request of a creditor or the public prosecutor, remove and replace a controller for a justified cause.

Article 647 Liability of controllers

A controller may only be liable for gross negligence or willful misconduct.

Article 648 Publication of judgements

1) The judgements opening and closing reorganization proceedings shall be published by the registrar of the court by means of notices posted at the entrance of the Court and by an extract published in a newspaper of wide circulation in Ethiopia.

2) The court's registrar shall ensure that the judgement opening reorganization proceedings is entered in the commercial register in accordance with the relevant laws.
3) The supervisor in reorganization and the court's registrar shall enter and sign a note of the judgement opening reorganization proceedings at the end of the entries in the debtor's books, and the books shall be handed back to the debtor.
4) Extracts from the judgements opening and closing reorganization proceedings shall be sent to the debtor, the supervisor in reorganization and the petitioning creditor, immediately after the judgement. The extract shall mention the names of the debtor, and other parties to the proceedings, the supervisor in reorganization, and the supervisory judge and shall mention the effective date of the judgement.
5) The court's registrar shall send an extract to the public prosecutor.
6) The court's registrar shall send three official copies of the extract to the federal or regional officials in charge of the commercial register with a view of making the necessary changes in the registers.
7) An extract shall be posted at the premises of the debtor and any place where the debtor carries out his business.

Article 649 Notice to creditors

Within one month after the publication of the judgement opening of the reorganization proceedings, the supervisor in reorganization shall send to all known creditors of the debtor, by registered letter or any other electronic means with a receipt of acknowledgment, a notice containing:

1) the date of the judgement opening reorganization proceedings;
2) the names of the supervisory judge and the supervisor in reorganization;
3) the conditions for submission of pre-insolvency claims.

Article 650 Documentary evidence

Documentary evidences showing that the mandatory publications have been made and that notice has been given to the creditors shall be inserted by the courts' registrar in the file of the reorganization proceedings.

Chapter Two

The debtor during the observation period

Article 651 Observation period

1) The judgement opening reorganization proceedings shall result in the commencement of an observation period, the purpose of which is to enable:
   a) the debtor to prepare a reorganization plan with the assistance of the supervisor in reorganization;
   b) the creditors and the supervisor in reorganization to propose amendments to the reorganization plan of the debtor or, where necessary, develop an alternative reorganization plan;
   c) the supervisor in reorganization to prepare, in addition, a plan for the sale of the business as a going-concern to investors. In preparing for the sale of the business as a going-concern, the supervisor in reorganization may conduct a market study in connection therewith and shall solicit bids by investors.
2) The initial duration of the observation period shall be limited to a maximum period of four months.
3) Notwithstanding sub-article (2) of this article, the Court may extend the duration of the observation period or grant a new observation period, upon the request of the debtor, a creditor, the controller or the supervisor in reorganization. The Court may grant an extension only if such an extension is duly justified by the following circumstances:
   a) relevant progress has been made in the negotiation of the reorganization plan; and
   b) the continuation of the general stay of individual enforcement actions does not unfairly prejudice the rights or interests of any affected parties.
4) The total duration of the observation period granted, including extensions and renewals, shall not exceed twelve months.

Article 652 Termination of observation period

Notwithstanding the provisions of 0, the Court may terminate the observation period and convert the reorganization proceedings into bankruptcy proceedings, where:

1) it becomes apparent that the proportion of creditors which could prevent the adoption of the reorganization plan does not support the continuation of the negotiations; or
2) it becomes apparent that the supervisor in reorganization is unable to find any investor for the sale of the business as a going-concern; or
3) the request is made by the debtor, the supervisor in reorganization or the controller; or
4) the debtor is not able to meet its payment obligations with respect to claims that arise after the opening of reorganization proceedings.

Article 653 Debtor in possession

1) During the observation period, the debtor shall remain in control of its assets and affairs, subject to sub-article (3) of this article.
2) The debtor shall have the right to conduct all day-to-day operations of his business without requiring the prior consent of the supervisor in reorganization or the supervisory judge.
3) After the opening of reorganization proceedings, all acts, agreements or transactions, including, but not limited to, all gratuitous acts and the constitution of guarantees or *in rem* security interests, which are outside the ordinary course of business of the debtor, shall require the prior authorization of the supervisor in reorganization.
4) The supervisor in reorganization and the supervisory judge may at any time inspect the books and accounts of the debtor.
5) The supervisor in reorganization shall report to the appropriate law enforcement and prosecution authorities any violation of Sub-article (3) of this article, as well as any fraudulent act, including intentional omission of creditors.

Article 654 General stay of individual enforcement actions

1) During the observation period, all individual enforcement actions by all creditors, including secured *in rem* by pledges, mortgages or otherwise, preferred and creditors benefiting from a sale contract with ownership reserved, shall, as a matter of law, be automatically stayed, without any need for the debtor or the supervisor in reorganization to request a stay of individual enforcement actions.
2) Natural persons as guarantors may invoke the benefit of the stay of individual enforcement actions in reorganization proceedings.

3) During the observation period, the statutes of limitation, pre-emptions rights are suspended.
4) Notwithstanding sub-article (1) of this article, employees of the debtor shall be paid.
5) The supervisory judge may exclude other claims from the scope of general stays of individual enforcement actions, where:
    a) the debtor is not in possession of encumbered assets; or
    b) individual enforcement actions are not likely to jeopardize the restructuring of the business; or
    c) one or more creditors would be unfairly prejudiced by a general stay of individual enforcement actions.

Article 655 Consequences of the general stay of individual enforcement actions

For the duration of the observation period:

1) the obligation to file for the opening of bankruptcy proceedings shall be suspended;
2) the due date of pre-insolvency claims may not be accelerated;
3) interest accruing on pre-insolvency claims shall continue to accrue at the applicable rate;
4) creditors may not start any legal proceedings with respect to the payment of pre-insolvency claims;
5) creditors may not receive any payment of pre-insolvency claims.

Article 656 Prohibition for the debtor to pay pre-insolvency claims

1) For the duration of the observation period, the debtor may not pay pre-insolvency claims, including accrued interest thereon.
2) Notwithstanding sub-article (1) of this article, the supervisory judge may authorize such payments to enable the debtor to recover possession of encumbered assets, including assets subject to a pledge with dispossession, where such restitution is in the interest of the estate.

Article 657 Pending proceedings

1) For the duration of the observation period, all pending legal proceedings, including arbitration, shall be suspended provided that the pre-insolvency claim has not been submitted.

2) Upon acceptance of such pre-insolvency claim, such procedure shall continue with the supervisor in reorganization becoming a party to the proceedings, but such proceedings shall be limited to the establishment of the amount of the pre-insolvency claim.
3) All proceedings not entailing the payment of pre-insolvency claim or the termination of ongoing contract for cause of non-payment, but excluding set off arising from connected contracts, shall not be affected by the opening of reorganization proceedings, in particular:
   a) criminal proceedings against the debtor;
   b) declaratory actions against the debtor;
   c) proceedings to enforce governmental regulatory powers;
   d) tax audits and investigations, except collection of taxes.

Article 658 Right of retention of the seller

1) The seller shall be entitled to retain goods sold by him where such goods have not been delivered to the debtor or they have not been consigned either to the debtor or to a third person on his behalf.
2) The supervisor in reorganization may, upon authorization by the supervisory judge, demand delivery of goods retained by paying the agreed price to the seller.
3) Where the supervisor in reorganization does not demand delivery in accordance with Sub-article (2), the seller shall repay to the debtor any instalments received by him as well as any advances received from the debtor in respect of freight or transport costs, commission, insurance or other expenses and the seller shall have the obligation to pay such amounts himself, provided that the seller may claim damages in respect of such non-performance of the contract.

Chapter Three
The estate of the debtor

Section One
Inventory

Article 659 Establishment of inventory

1) The debtor, under the supervision of the supervisor in reorganization, shall prepare, within fifteen days from the opening of reorganization proceedings, the inventory of all its assets, including a list of:
   a) creditors stating the amount of their claims, names and addresses;
   b) ongoing contracts including sale contracts with ownership reserved;
   c) personal guarantees and encumbered assets, including assets pledged with dispossession, mortgages on the business and immovables;
   d) pending legal proceedings to which the debtor is a party;
   e) goods placed under customs and warehouses;
   f) movables furnishing leased premises;
   g) taxes, duties and social security charges.
2) The inventory shall be prepared in two originals, one being deposited with the Court's registrar and the other one being retained by the supervisor in reorganization.

Article 660 Appointment of experts

The court may appoint an appraiser, an accounting expert, a public notary or any other qualified expert to assist the debtor, or prepare the inventory in lieu of the debtor.

Article 661 Goods excluded from the estate

Goods which are subject to recovery under 0 and 0 shall not form part of the estate of the debtor.

Section Two

Submission and verification of pre-insolvency claims

Article 662 Procedure for submission of pre-insolvency claims

1) Each creditor, himself or through an agent, shall submit its pre-insolvency claims within five (05) months from the date of the judgement opening reorganization proceedings by sending to the supervisor in reorganization a registered letter or any other electronic means with a receipt of acknowledgement. Such period may be extended by the supervisory judge in exceptional cases.

2) In their submission, creditors shall clearly specify:
   a) the amount of the pre-insolvency claim, specifying the principal and, where applicable, interest and the date on which it became due or will become due;
   b) for contingency claims, an estimation of the claim;
   c) the legal basis for the pre-insolvency claim;
   d) the name, address and bank details of the creditor;
   e) any preferential status claimed and the legal basis for such preference;
   f) any security *in rem* or sale with ownership reserved claimed in respect of the pre-insolvency claim and assets covered by the *in rem* security interest being claimed, the date on which the security was granted and, if the security has been registered, the place of registration and registration number;
   g) any personal guarantee in respect of the pre-insolvency claim, the name and address of the guarantors, the amount of the guarantee, the date it was granted and whether the guarantee is several, joint or joint and several;
   h) any set-off claimed and, if so, the amounts of the mutual claims existing on the date when reorganization proceedings were opened, the date on which the claims became due and the amount remaining after set-off.
3) Creditors shall provide documents supporting their claims and shall receive receipts for proofs produced.
4) The supervisor in reorganization shall return the proofs after the reorganization proceedings are closed and shall cease to be liable for such return after one year.
5) Creditors, who fail to submit their pre-insolvency claims and security interests within the time limit set out in sub-article (1) of this article may not participate in the distributions and their claims shall not be assumed by the investor in case of the sale of the business as a going-concern.

Article 663 Creditors exempted from submission of claims

1) The following creditors shall be exempted from submitting pre-insolvency claims:
   a) employees of the debtor who claim unpaid salary or any other payment arising from employment contracts;
   b) government organs claiming payment of taxes and duties.

c) creditors whose total amount of pre-insolvency claims is less than one thousand (1000) Birr.

2) The supervisor in reorganization shall verify and admit such claims by reviewing the debtor's financial statements, pay roll and other relevant documents. Where the supervisor in reorganization is unable to verify the claims under Sub-article (1), he may require creditors to submit evidence supporting their claims.

Article 664 Procedure for verification and admission of pre-insolvency claims

1) The supervisor in reorganization shall verify the validity, the amount and the timely submission of the pre-insolvency claims and security interests.
2) The debtor shall provide all necessary information and documents to the supervisor in reorganization for purposes of verification.
3) Where the claim is queried by the supervisor in reorganization, in whole or in part, the supervisor in reorganization shall inform the creditor by a registered letter or any other electronic means with a receipt of acknowledgement, and the creditor shall reply to the queries in writing within eight days from receipt. The supervisor in reorganization may admit claims in whole or in part.
4) The supervisor in reorganization may temporarily admit claims of unspecified amount or debts whose performance is conditional.
5) The final inventory of verified and admitted pre-insolvency claims shall be counter-signed by the supervisor in reorganization.
6) Any dispute regarding whether pre-insolvency claims and securities have been submitted on time shall be settled by the supervisory judge within ten days from the decision of the supervisor in reorganization.
7) The court's registrar shall make the final list of all admitted pre-insolvency claims and security interests available to all interested parties.

Article 665 Judgement upon contested pre-insolvency claims

1) The supervisory judge shall refer the contested pre-insolvency claims to be decided by the competent court or tribunal after having duly notified the

concerned parties five days prior to the hearing, by a registered letter or any other electronic means with a receipt of acknowledgement.

2) The competent court or tribunal may grant an interlocutory order allowing a creditor whose claim is contested to join in reorganization proceedings in respect of such amount as the court or tribunal may decide.
3) The competent court or tribunal shall notify the concerned parties, by registered letter or by any other electronic means with a receipt of acknowledgement, of the order, within three days from the date it has been given.
4) A party dissatisfied by the order may appeal against the order within fifteen days from the date it has been given.
5) Contested claims shall not result in the suspension of the reorganization proceedings. They shall be referred to the competent court of tribunal for settlement. The provisionally admitted pre-insolvency claims shall be adjusted according to the judgement of the competent court of tribunal.

Article 666 Deposit of temporary inventory with the court's registrar of the court

1) Where pre-insolvency claims have been verified and admitted, the supervisor in reorganization shall deposit with the court's registrar the inventory of verified and admitted pre-insolvency claims showing the claims admitted and those rejected. He shall also send to the supervisory judge a list of creditors claiming special preferences over assets of the bankrupt debtor.
2) Where the supervisor in reorganization has rejected a claim partly or fully, he shall state clearly the reasons in the inventory.

Article 667 Notification of deposit

1) The supervisor in reorganization shall forthwith deposit with the court's registrar the inventory of verified and admitted pre-insolvency claims and publish such inventory in a newspaper of wide circulation in Ethiopia.
2) The supervisor in reorganization shall give notice, forthwith, by a registered letter or any other electronic means with a receipt of acknowledgement, of rejected claims to the creditors concerned.

3) A creditor may challenge the inventory of verified and admitted pre-insolvency claims, provided that he demonstrates an interest. Such a challenge shall be filed with the supervisory judge within ten days from the date of the receipt of the notice.

Article 668 Creditors whose security *in rem* or right of priority is contested

1) Where a creditor holds a security *in rem* or have preferential right and only the security *in rem* or the preferential right is contested, such creditor may join in the proceedings as unsecured creditor.
2) Any contestation of a security *in rem* or preferential right shall be decided by the court.

Article 669 Creditors not having submitted pre-insolvency claims within the specified period of time

1) Creditors failing to submit their pre-insolvency claim within the specified period of time under 0 shall nevertheless participate in reorganization proceedings, subject to making such submission at the latest within one year from the judgement opening proceedings.
2) Such one year period may not be subject to any interruption or suspension.

Article 670 Submission of claims jointly and severally guaranteed

Where the claim of a creditor has been endorsed or guaranteed jointly and severally by several guarantors, each creditor and guarantor may submit a pre-insolvency claim for the full amount without taking into consideration any right of recourse.

Section Three

Suspect acts and transactions performed prior to the cessation of payments

Article 671 Mandatory invalidation

At the request of the supervisor in reorganization, the court shall invalidate the following acts performed by the debtor during the suspect period:

1) assets or rights transferred to other persons through gratuitous assignments, donation, cancellation or waiver of rights;
2) assets or rights transferred to other persons for a price that is manifestly undervalued;

3) payments of debts that are not due, whether in cash, by assignment, set-off or otherwise;
4) payments of debts due otherwise than in cash, or by set-off, or by negotiable instrument or by transfer to a bank;
5) creation of mortgages, pledges or other *in rem* security interest, over the assets of the debtor, in respect of debts contracted before the creation of such rights *in rem*.

Article 672 Optional invalidation

1) At the request of the supervisor in reorganization, the court may invalidate all other acts performed by the debtor during the suspect period provided that:
   a) the creditor knew or should have known that the debtor was already in a situation of cessation of payments; and
   b) the act was detrimental to the estate or the payment was made in preference to other creditors.
2) The supervisor in reorganization shall bear the burden of proof of the knowledge of the creditor referred to in Sub-article (1) (a), except where the act was concluded with a related party.

Article 673 Institution of legal proceedings for invalidation

1) The supervisor in reorganization shall institute legal proceedings for invalidation where such proceedings are beneficial to the estate or confer an unjustified preference upon the creditors.
2) Where the supervisor in reorganization decides not to institute legal proceedings:
   a) a controller or a creditor, acting *ut singuli* on behalf of the estate, may institute such proceedings after having summoned the supervisor in reorganization to do so and, where such a summon is duly served, no or a negative response within one month from the receipt;
   b) where such action is successful, the expenses engaged by the controller or the creditor for purpose of the proceedings shall be borne by the estate.

Article 674 Acts and payments excluded from invalidation

The following acts and payments made by the debtor during the suspect period may not be subject to invalidation, except in the case of fraud:

1) new financing, the creation of security interests, the sale of assets, the payment of debts, as well as any other legal acts and payments made by the debtor pursuant to the restructuring plan, which has been confirmed by the Court;
2) the realization of mortgages, pledges and other *in rem* security interests;
3) acquisition of assets necessary for carrying out the ordinary course of business;
4) acquisition of goods by and rendering of services to third parties in good faith provided fair price paid for the goods or services.

Article 675 Rights registered prior to the judgement opening proceedings

Rights arising out of securities *in rem* validly set up may be registered up to the date of the judgement opening the proceedings.

Article 676 Statute of limitation

1) Invalidation proceedings brought under this Section shall be barred after two years from the date of the judgement opening reorganization proceedings.
2) Where the debtor did not inform the supervisor in reorganization about the acts and transactions subject to invalidation, the period of the statute of limitation mentioned above shall run from the day the supervisor in reorganization knew about the existence of such act.

Article 677 Effects of invalidation

1) The decision to invalidate a payment or an act shall have a retroactive effect.
2) Where a restitution in kind is not possible, the market value of the property shall be returned to the benefit of the estate.
3) Where the property or right subject to invalidation has been transferred to third party, the cash equivalent of such property or right shall be returned to the estate at the prevailing market value at the time of the rendering of the judgement.
4) The creditors affected by invalidation may submit their pre-insolvency claims arising from the invalidation provided that such submission is still possible in accordance with 0.

Chapter Four

The reorganization plan

Article 678 Preparation of the reorganization plan

1) The reorganization plan is prepared by the debtor with the assistance of the supervisor in reorganization.
2) Creditors shall have the right to seek amendment to the reorganization plan and make counter-proposals.
3) Subject to mandatory laws, the reorganization plan may provide for:
   a) the rescheduling of claims of the affected creditors;
   b) the waiver of claims of the affected creditors;
   c) the settlement of claims by issuing financial debt instruments, subject to laws regulating the issuance of financial debt instruments;
   d) the conversion of claims of the affected creditors into equity;
   e) the reduction and increase of capital of the debtor to be subscribed to by creditors or third-party investors or the sale of equity interest in favor of creditors or third-party investors;
   f) a sale of assets or business units but excluding the sale of the business as going-concern.
4) The reorganization plan shall outline the criteria used to constitute classes of creditors.
5) The reorganization plan shall at all times comply with the "best-interest-of-creditors' test", whereby no dissenting creditor would be worse off under the reorganization plan than he would be if the ranking of priorities in bankruptcy proceedings was applied under Article 786 of this code.

Article 679 New financing

1) New financing may be granted by existing or new creditors in order to implement a reorganization plan.
2) New financing included in the reorganization plan and confirmed by the Court shall have priority over unsecured creditors in case of the subsequent opening of bankruptcy proceedings but shall rank below the new financing granted in the framework of preventive

restructuring proceedings. The Court may confirm a security for new financing over unencumbered assets of the debtor in which case the priority of new financiers shall be treated in accordance with the rules of priority of secured creditors.

Chapter Five
Adoption of the reorganization Plan

Article 680 Classes of creditors

1) The supervisor in reorganization shall constitute classes of affected creditors to facilitate the adoption of the reorganization plan.
2) The classes of creditors shall reflect a sufficient commonality of interest based on objectively verifiable criteria. At the minimum, creditors of secured and unsecured claims shall be treated in separate classes.
3) Creditors that are secured by *in rem* security interest over assets of the debtor shall participate in the class of unsecured creditors for the amount of their claim that is not covered by the liquidation value of the asset affected as security.
4) Creditors that are secured by personal guarantees and insurance mechanisms may constitute a separate class.
5) Employees of the debtor shall constitute a separate class of their own where the employees' claim are affected by the reorganization plan.
6) Notwithstanding that shareholders are not creditors, they shall constitute a separate class of their own.
7) The constitution of the classes and the criteria used for their constitution shall be deposited with the Court's registrar.
8) Notwithstanding the provisions of sub-article (1) of this article, where the debtor is a small or a medium-sized enterprise (SME), at the request of the debtor or the supervisor in reorganization, the supervisory judge may decide not to treat affected creditors and shareholders in separate classes. For the purpose of this provision, a sole proprietor or a business organization shall be considered as a small or medium sized enterprise where:
   a) it has less than ten employees; or

b) its turnover of the last twelve months is less than five million (5, 000, 000 Birr (subject to adjustment for inflation); or
c) its total amount of assets in the last balance sheet of the last twelve months is less than twenty (20) million Birr.

9) Any dispute with respect to the formation of the classes of creditors shall be decided by the supervisory judge within ten days from the deposit of the constitution of classes of creditors with the court's registrar, subject to an appeal to be filed within ten days from the date of the judgement handed down by the supervisory judge.

Article 681 Determination of voting rights in the classes of creditors' and general creditors' meetings

1) The voting rights of the creditors in the classes of creditors' and general creditors' meetings are determined by the supervisor in reorganization and shall correspond to the principal amount of the pre-insolvency claims, excluding interest, resulting from the last certified accounts or financial statement of the debtor.
2) Such determination shall be made three days before the holding of the creditors' meeting, and shall take into account any assignment and any reimbursement of pre-insolvency claims that occurred after the opening of proceedings. The supervisor in reorganization may be assisted by independent auditors in the determination of the amount of pre-insolvency claims.
3) Any assignment and transfer of pre-insolvency claims that occurs less than three days before the classes of creditors' and general creditors' meetings shall be unenforceable against the proceedings.
4) Any dispute concerning determination of voting rights shall be decided by the supervisory judge with no appeal possible.
5) The supervisor in reorganization shall take into consideration provisional admissions under 0 (2), but shall not wait for the final decision of the supervisory judge or the competent court or tribunal with respect to the admission of pre-insolvency claims.
6) Any decision on the voting rights of creditors in the classes of creditors' and general creditors' meetings shall have no effect upon the admission of pre-insolvency claims by the supervisory judge or the competent court or tribunal.

Article 682 Classes of creditors' meetings

1) The supervisor in reorganization shall, before the end of the observation period, convene one or several meetings of creditors' classes.
2) The supervisor in reorganization shall notify creditors by a registered letter or any other electronic means with a receipt of acknowledgement at least fifteen days before the date of the meeting.
3) The supervisor in reorganization shall present to the classes of creditors' meetings the reorganization plan prepared by the debtor, amendments or counter-proposals by the creditors as well as the offers for sale of the business as a going-concern.
4) The debtor shall attend in person all classes of creditors' meetings and respond to any queries of the creditors. The debtor may be represented by an attorney.
5) The discussions, the names of the participants and the results of the votes shall be recorded in the minutes of such meetings and all relevant documents shall be annexed thereto.

Article 683 Vote on the reorganization plan

1) The supervisor in reorganization shall organize and submit to the vote of each class of creditors the reorganization plan prepared by the debtor and amended by creditors, and if applicable, any counter-proposal prepared by creditors.
2) The reorganization plan is accepted provided that one or more creditors, representing at least two-thirds of the claims in each class of creditors have voted in favor of the reorganization plan, including by way of written agreements among the creditors. Creditors who are notified but neither present nor represented shall not be taken into account for the purpose of voting.
3) Where the two-third majority is not reached in each class of creditors' meetings, the reorganization plan is accepted provided that the plan has been approved by the debtor and by a majority of classes of affected creditors.
4) Where the majority of Sub-Art. (2) above has not been reached, the plan shall be deemed accepted where at least one of the classes of creditors, other than an equity-holders class or any other class which, upon a valuation of the debtor in a liquidation scenario, would not receive any payment or keep any interest, votes in favor of the plan.
5) The classes of creditors' meetings may be adjourned to the next working day without further notice to creditors, even though not present at the meeting.

Article 684 Approval of the reorganization plan by the general creditors' meeting

1) In the absence of constitution of classes of creditors in case of a small or a medium-sized enterprise, the supervisor in reorganization shall convene a general creditors' meeting to vote on the restructuring plan. The reorganization plan shall be accepted where creditors representing at least two thirds of the claims of the general creditors' meeting have voted in favor of the plan.
2) The rules applicable to the classes of creditor's meeting under Article 682 of this code shall apply, *mutatis mutandis*.

Article 685 Confirmation of the reorganization plan by the court

1) The supervisor in reorganization shall present to the court the reorganization plan which has been accepted, together with a report containing his comments and recommendations. Such report shall be filed with the Court at least three days before the Court hearing and shall be freely accessible to all parties to the proceedings.
2) At the Court hearing, the supervisor in reorganization, the debtor and creditors shall be heard.
3) In confirming the reorganization plan, the Court shall verify that:
    a) the reorganization plan has been approved by the required majority of the creditors, and has a reasonable prospect of preventing the bankruptcy of the debtor and assuring the viability of the business;
    b) the reorganization plan complies with the "best-interest-of-creditors' test";
    c) no shareholder would be worse off under the reorganization plan than such shareholder would be in case of bankruptcy proceedings;
    d) third parties' interests are adequately protected in particular with respect to the taking of security interests and in the framework of new financing;
    e) in case of cross-class cram-down provided for under Article 683(3) of this code, dissenting voting classes of affected creditors are satisfied in full by the same or equivalent means where a class ranking below is to receive any payment or keep any interest under the plan;
    f) Classes of creditors with the same rank shall receive the same or equivalent satisfaction of their claims;

g) the Court may, on its own motion, depart from principles e) and/or f) above where it is necessary to achieve the aims of the reorganization plan and where the reorganization plan does not unfairly prejudice the rights or interests of any affected parties;
h) no class of affected parties may, under the reorganization plan, receive or retain, more than the full amount of its claims.

4) Natural persons as guarantors may invoke the benefit of the provisions of the reorganization plan.
5) The judgement confirming or rejecting the reorganization plan shall have an *erga omnes* binding effect and shall be published in a newspaper of wide circulation in Ethiopia.

Article 686 Amendments to the reorganization plan

1) After the confirmation of the plan by the Court, the reorganization plan may only be amended with the consent of the debtor and the unanimity of its creditors.
2) Such an amendment shall be valid and binding between the parties without being subject to any confirmation by the Court.

Article 687 Execution of the reorganization plan

1) The debtor shall execute the reorganization plan in accordance with terms set out in the plan. He shall not pay any amount that is not due and payable under the plan.
2) Creditors may not request nor receive any amount that is not due and payable under the plan.
3) The supervisor in reorganization shall supervise the execution of the reorganization plan in accordance with the procedure laid down in the judgement.
4) The supervisor in reorganization shall immediately inform the court of any fact or act likely to be prejudicial to the interests of the creditors.
5) The court shall determine the amount of costs, fees and expenses incurred by the supervisor in reorganization that shall be reimbursed to him during the term of his office.

Article 688 Termination of the reorganization plan

Where the debtor fails to carry out the terms of the reorganization plan, the supervisor, a creditor, a controller or the public prosecutor may file an application to the court to terminate the reorganization plan and open bankruptcy proceedings.

Chapter Six

The sale of the business as a going-concern

Article 689 Take-over plan

1) The sale of the business as a going-concern may be prepared by the expert in the field of restructuring in the framework of preventive restructuring proceedings or, by the supervisor in reorganization after the opening of reorganization proceedings.
2) The debtor, its directors and shareholders shall have the right to make a take-over bid for the business as a going-concern but shall obtain the authorization of the supervisory judge.
3) The expert in restructuring and supervisor in reorganization shall organize the sale-process as they deem appropriate with the objective of maximizing the value of the business as a going-concern for the benefit of the creditors. They may be assisted by experts, consultants or investment banks.
4) The supervisor in reorganization may organize a public auction or arrange for a private sale of the business as a going-concern only where it has become apparent that the reorganization plan has been rejected or is likely to be rejected.
5) In the case of private sale, the offers may be kept confidential in order to increase the value of the business as a going-concern.
6) Where the sale of the business as a going-concern has been prepared by the supervisor in reorganization, he shall make the selected offer public following the opening of the reorganization proceedings in order to obtain competing bids. After an appropriate period of time to be fixed by the Court, the supervisor in reorganization shall submit the offers to the vote of the general creditors' meeting.

Article 690 Bidding procedure

1) The supervisor in reorganization in collaboration with the debtor shall organize a data room to which all interested bidders shall have access.
2) All interested bidders shall be required to sign non-disclosure agreements (NDAs) before gaining access to the data room.

3) Every interested bidder shall submit a bid with the appropriate supporting documentation containing:
   a) the financial standing of the bidder;
   b) the source of financing of the take-over;
   c) the business plan;
   d) a list of the proposed assets for purchase;
   e) the purchase price;
   f) the categories and number of employees which the bidder will be willing to take over, subject to the mandatory labor laws; and
   g) the contracts that are necessary for continuation of the business as a going-concern to be assigned to the bidder.

Article 691 Assignability of the contracts

Contractual provisions restraining the assignability of the contracts, including *intuitu personae* contracts, shall be unenforceable as long as such contracts are necessary for the continuation of the business.

Article 692 Consent of secured creditors

1) Where encumbered assets are included into the sale of the business as a going-concern, the consent of the concerned mortgagees, pledgees and other beneficiaries of *in rem* security shall be obtained.
2) Where the value of the pledged or mortgaged property is higher than the secured claim, the supervisor in reorganization may cause the release of the security interest by paying the claim or exchanging the property with another property of same value.
3) Where the beneficiary creditor is not willing to release the encumbered asset, the supervisor in reorganization may apply to the court. The court may order the creditor to accept the payment of the secured claim or the exchange of the property with another property of same value.
4) Where the property offered for exchange is not sufficient to fully cover the claim secured by the previous encumbered asset, the court shall order the supervisor in reorganization to pay the difference in favor of the secured creditor.

Article 693 Approval of the take-over plan by the general creditors' meeting

1) Where the reorganization plan is rejected by the creditors' meeting or by the court, the supervisor in reorganization shall submit the bids received to acquire the business as a going-concern for voting by creditors.
2) The bid is accepted provided that one or more creditors, representing at least two-thirds of the claims of creditors support the bid, including by way of written agreements among the creditors. Creditors who are notified but neither present nor represented shall not be taken into account for the purpose of voting.

Article 694 Confirmation by the court of the sale of the business as a going-concern

1) In case of the sale of the business as a going-concern, the court shall verify that no reorganization plan had been adopted by the required majority of creditors and that the business plan of the winning bidder has a reasonable prospect of assuring the viability of the business.
2) The Court shall order the transfer of the contracts that are listed in the offer and that are necessary for continuation of the business as a going-concern and shall fix the date of the transfer of the business to the winning bidder to enable the winning bidder to take over management, pending the effective legal transfer of title.
3) The court may restrict the free transferability of the assets purchased by the winning bidder for a maximum period of two years.
4) The sale of all transferred assets shall occur free and clear of all liens, encumbrances, charges, and liabilities, whether actual, contingent or otherwise, including, and in particular, environmental charges and liabilities.

Article 695 Execution of the sale of the business as a going-concern

1) Following the confirmation by the court, the supervisor in reorganization shall facilitate entry into all necessary contracts, including contracts for the transfer of ownership, and fulfill all necessary formalities to implement the effective legal transfer of the business as a going-concern.

2) Assets which are not part of the sale of the business as a going-concern shall be sold and employees who have not been transferred shall be laid-off. The proceeds of the sale shall be distributed among the creditors in accordance with the rules of priority laid down in 0.

Chapter Seven

Conversion of reorganization proceedings and appeals

Article 696 Conversion of reorganization proceedings to bankruptcy proceedings

After the confirmation of the sale of the business as a going-concern or where the reorganization plan has been rejected, the court shall convert the reorganization proceedings into bankruptcy proceedings.

Article 697 Appeal

1) A dissenting creditor may appeal against the judgement confirming the reorganization plan or the judgement confirming the sale of the business as a going-concern.
2) The debtor may appeal against the judgement rejecting the reorganization plan or the judgement rejecting the sale of the business as a going-concern.
3) Contracting parties to transferred contracts may appeal against the judgement confirming the sale of the business as a going-concern but only with respect to the transfer of such contracts.
4) The debtor, the supervisor in reorganization and all the parties to the proceedings shall be notified of the appeal.
5) An appeal against a decision confirming the reorganization plan shall not result in the suspension of the execution of that plan.
6) Where an appeal against the reorganization plan is upheld, the Court may either:
   a) set aside the restructuring plan in case of manifest violation of the procedure or violation of the "best interest of creditors' test", as the case may be; or
   b) confirm the plan and grant compensation to the party who suffered damages.
7) Any interested party may appeal against the decision terminating the reorganization plan.
8) The appeals under this Article shall be filed within twenty days from the date of judgement confirming or rejecting the reorganization plan.

Article 698 Losing bidders opposition

Losing bidders may not file opposition against the judgement confirming the sale of the business as a going-concern.

Chapter Eight

Duties of managers and directors

Article 699 Duties of managers and directors

In the event of likelihood of insolvency, managers and directors shall primarily have the fiduciary duties to:

a) protect the interests of the creditors; and
b) take all necessary steps to prevent insolvency.

Chapter Nine

Simplified Reorganization Proceedings

Article 700 Opening of simplified reorganization proceedings

1) The court shall open simplified reorganization proceedings, provided that:
   a) preventive restructuring proceedings are pending;
   b) the debtor demonstrates that the restructuring plan is supported by a large number of its creditors and is likely to be adopted by the required majority of creditors voting in the classes of creditors' meetings or the general creditors' meeting within simplified reorganization proceedings.
2) In addition to the documents set out in Article 673 of this code, the debtor shall submit:
   a) a copy of the judgement opening preventive restructuring proceedings;
   b) the draft reorganization plan agreed upon by its main creditors;
   c) all necessary documents showing the viability of the business under the reorganization plan.

Article 701 Duration

The court shall fix the duration of simplified reorganization proceedings in the judgement opening the proceedings.

Article 702 Appointment of the supervisor in reorganization

1) The court shall appoint the expert in the field of restructuring as supervisor in reorganization.
2) The supervisor in reorganization shall, diligently, constitute the classes of creditors, if applicable, and submit the reorganization plan to the vote of the classes of creditors' or the general creditors' meetings.

Article 703 Applicable provisions

Save as otherwise provided in this Chapter, provisions of Title **Three**, excluding provisions of its Chapter (The Estate of the Debtor), shall be applicable to simplified reorganization proceedings.

Article 704 Termination of simplified reorganization proceedings

1) The court shall terminate simplified reorganization proceedings where the reorganization plan has not been adopted by the required majority of creditors voting in the classes of creditors' or the general creditors' meetings.
2) Upon such decision, simplified reorganization proceedings shall be automatically converted to reorganization proceedings.
3) Notwithstanding Sub-article (2), where the sale of the ongoing business is unlikely to occur, the court shall, in its discretion, after having heard the debtor and the supervisor in reorganization, convert simplified reorganization proceedings to bankruptcy proceedings

Title Four

Bankruptcy proceedings

Chapter One

Judgement Opening Bankruptcy

Article 705 Opening of Bankruptcy Proceedings

1) Bankruptcy proceedings shall be opened upon the application of a debtor who has been in cessation of payments.
2) Debtor who has been in cessation of payments shall at the latest within forty-five days apply to court for the opening of bankruptcy proceedings unless the debtor has already applied for the opening of reorganization proceedings in accordance with Title **Three** of this Book.
3) The obligation of the debtor under sub-article (2) of this article shall apply also to each partner in a general partnership and general partners in a limited partnership.
4) Bankruptcy proceedings may also be opened upon the application of:
   a) persons who are jointly and severally liable with the debtor;
   b) one or more creditors whose claim against the debtor is due and payable;
   c) a liquidator appointed to liquidate the debtor's business outside bankruptcy proceedings;
   d) a public prosecutor where the debtor's cessation of business is apparent from criminal proceedings involving the debtor.
5) The court may also initiate bankruptcy proceedings on its own motion where, as a result of proceedings against the debtor, it is apparent that the debtor is in cessation of payments. The court which has ascertained debtor's cessation of payments shall refer the case to the court which has jurisdiction to order judgement of bankruptcy under this Book.
6) In addition to his application, debtor shall submit documents listed under Article 637(1) of this code.
7) In addition to their application, creditors shall submit documents listed under Article 637(4) of this code and may suggest the name of the person to be appointed as trustee in bankruptcy.

Article 706 Judgement of Bankruptcy

1) At first hearing, or, where appropriate, on receiving the report from the investigator under Article 591(2) of this code, the Court shall:
   a) declare the debtor bankrupt;
   b) appoint the supervisory judge in accordance with Article 605 of this code;

c) appoint the trustee in bankruptcy for the conduct of the bankruptcy proceedings in accordance with Article 610 to 616 of this code; and

d) fix the date of cessation of payments, where the date has not been fixed in the context of reorganization proceedings, in accordance with Article 591 of this code.

2) A judgement of bankruptcy against a business organization comprising joint and several liability partners shall result in the bankruptcy of partners. The assets of the firm and of the partners shall be dealt with separately and the bankruptcy proceedings shall be conducted separately.

Article 707 Notice to creditors

1) Where application for bankruptcy is filed by creditors, partners with joint and several liability or a public prosecutor, the Court shall notify the debtor of the application within seven days from the application.
2) The debtor shall, within twenty days from the receipt of the application, submit his reply indicating his agreement with or opposition to the application of bankruptcy. The debtor shall submit the documents listed under 0 (1) and other supporting documents indicating whether he is in cessation of payments.
3) Where the debtor admits the cessation of payments, the debtor shall indicate whether his business can still be eligible for reorganization proceedings under Title **Three** of this Book or should go to bankruptcy proceedings under this Title Four Bankruptcy proceedings.
4) Where the Court finds that the debtor is eligible for the opening of reorganization proceedings and where it anticipates that the reorganization plan, when prepared and submitted, will obtain the necessary votes, under Title Three of this Book, it shall order the opening of reorganization proceedings in lieu of bankruptcy proceedings.

Article 708 Bankruptcy after cessation of business

1) A debtor, whose registration has been struck of the commercial register may be declared bankrupt where such trader has been in cessation of payments within one year from the date he was struck off from the register.

2) Where the trader was not registered in the commercial register, he may be declared bankrupt at any time after the cessation of payments.

Article 709 Opening of bankruptcy proceedings after death

1) Where a trader dies after having been in cessation of payments, he may be declared bankrupt within one year from his death.
2) Bankruptcy proceedings may be opened against such trader by:
   a) a creditor;
   b) the public prosecutor; or
   c) the Court acting on its own motion.
3) An heir may apply for bankruptcy in order to prevent the assets of the succession from being mixed with his own property.
4) Judgement opening bankruptcy after death shall suspend the effect of the separation of estates obtained by the creditors of the deceased under the provisions of the Civil Code.

Article 710 Publication of judgements

1) Except as provided otherwise in this Article, provisions of Article 648 of this code shall apply *mutatis mutandis* to the publication of bankruptcy judgements.
2) Where the natural person debtor has died, extracts from judgement shall be sent to the debtor's heir, if any, immediately after the judgement.

Article 711 Appeal against the judgement opening or rejecting the opening of bankruptcy proceedings

1) The debtor and the public prosecutor may appeal against the judgement opening bankruptcy proceedings within ten days from the date on which such judgement was handed down.
2) A creditor and the public prosecutor may file an appeal against the judgement rejecting the opening of bankruptcy proceedings.
3) The appeal shall be heard summarily and decided within two months and the judgement shall be enforceable immediately.

Article 712 Setting aside the judgement opening bankruptcy proceedings

1) An application to set aside a judgement in bankruptcy shall be made within ten days from the date of such judgement. In respect of judgements subject to posting and to insertion in newspapers empowered to publish legal notices, the period of time shall run only from date of publication.
2) An application to set aside may not be lodged by the petitioner.
3) An application of the debtor to set aside judgement may not suspend the execution of the judgement.

Article 713 Judgements not open to applications to set aside or to appeal

1) The following judgements shall not be opened to applications to set aside or appeal:
   a) those concerning the appointment or replacement or removal of the supervisory judge or the trustee in bankruptcy;
   b) those deciding upon requests for discharge and requests for assistance to the debtor and his family;
   c) those authorizing the sale of property and goods forming part of the estate's assets;
   d) those deciding upon any application to set aside orders filed by the trustee in bankruptcy within the scope of his powers;
   e) those authorizing the continuation of the business.
2) The trustee in bankruptcy may not appear in proceedings under Sub-article (1) (d).

Article 714 Setting aside of adjudication

1) An adjudication shall be set aside where, between the pronouncement of the judgement and the date of the order given in respect of an application to set aside or an appeal, the bankrupt has restored his affairs by repaying his creditors or the court has opened reorganization in lieu of bankruptcy proceedings.
2) The effect of acts taken by persons responsible for conducting bankruptcy proceedings shall not be affected.

Chapter One

Persons and bodies responsible for the conduct of Bankruptcy Proceedings

Section One

The court

Article 715 Powers of the court

Article 604 of this code shall apply to the court opening bankruptcy proceedings under this Title.

Section Two

Supervisory Judge

Article 716 Appointment and powers of the supervisory judge

The supervisory judge in bankruptcy proceedings shall be appointed in accordance with Article 605 of this code where one has not been appointed in the context of reorganization proceedings. The supervisory judge shall have the powers set out in Article 606 of this code.

Article 717 Powers of the supervisory judge

1) In addition to the powers specifically provided for in 0, the supervisory judge shall, in the context of bankruptcy proceedings, have the powers to:
    a. refer to court any claims which fall within the jurisdiction of the court and the court shall in its decisions mention such reference;
    b. take or cause to be taken by appropriate authorities all steps and measures necessary to preserve the assets of the estate;
    c. call the creditors' committee as required by law or where he considers it to be necessary;
    d. authorize, where it is in the interests of the estate, the trustee to appoint assistants, unless such appointment is reserved to the trustee by law;

e. authorize the trustee in writing to enter appearances in civil proceedings.

2) The legal orders of the supervisory judge shall be treated as judicial orders.

Section Three

Trustee in bankruptcy

Article 718 Appointment of the trustee in bankruptcy

1) The court shall appoint a trustee in bankruptcy, in accordance with Article 610 to 616 of this code, in the judgement opening bankruptcy proceedings.
2) Where the trustee in bankruptcy has been suggested by an applicant creditor, the court may appoint such person.
3) Where reorganization proceedings are converted to bankruptcy proceedings, the court shall appoint the supervisor in reorganization as trustee in bankruptcy.

Article 719 Replacement of the trustee in bankruptcy

1) At any time during proceedings, the trustee in bankruptcy, a creditor, the creditors' committee or a public prosecutor, may file an application to the court for the replacement of the trustee in bankruptcy.
2) The court may in its own discretion replace the trustee.
3) The court may, on its own motion, replace the trustee in bankruptcy, in particular where the trustee in bankruptcy fails to deposit or withdraws, without authorization from the supervisory judge, any amount received in a bank account opened in the name of the estate in accordance with Article 720(1) (e) of this code.
4) Notwithstanding the provisions of Sub-article (2) of this article, the court shall grant such an application and appoint the trustee in bankruptcy suggested by the applicant where the creditors' committee or creditors, representing a majority of the total amount of pre-insolvency claims, support such an appointment.

Article 720 Powers and duties of the trustee in bankruptcy

1) The trustee in bankruptcy shall have the following powers and duties:

a) be responsible for the administration of the bankrupt estate under the supervision of the supervisory judge in accordance with the provisions of Article 742 to 746 of this code;
b) receive information enabling him to know the exact position of the debtor's estate from public authorities, social security institutions, credit institutions and other institutions;
c) prepare, with the assistance of the debtor, the inventory of the estate in accordance with the provisions under Article 735 to 741 of this code;
d) recommend to the supervisory judge the admission or rejection of pre-insolvency claims;
e) deposit, without delay, in a bank account opened in the name of the estate any fund received, less the amounts determined by the supervisory judge in bankruptcy proceedings to meet legal costs and management expenses;
f) file a report with the court within thirty days after the termination of his services, or, at the latest, within thirty days after the termination of the proceedings.

2) The trustee in bankruptcy may not assign his functions but may, with the authorization of the supervisory judge, delegate them to independent experts in respect of isolated transactions.

Article 721 Recourse against acts of the trustee in bankruptcy

The bankrupt or any other interested party may file an opposition to any act of the trustee in bankruptcy in respect of the bankrupt estate to the supervisory judge in bankruptcy proceedings. The supervisory judge shall decide on the objection within three days.

Section Four
Creditors' Committee

Article 722 Constitution of the creditors' committee

1) The supervisory judge shall constitute a creditors' committee within ten days from the opening of bankruptcy proceedings and appoint three to five members among creditors with substantial claims as well as the chairman of the creditors' committee.
2) The constitution of the creditors' committee shall be submitted to the court for approval.
3) A member of the creditors' committee may only be removed from his position upon a decision of the court on the proposal of the supervisory judge.

4) However, the supervisory judge may substitute a member requesting his own substitution by another creditor.
5) No relative by consanguinity or affinity of the debtor, up to the fourth degree inclusive, may be appointed as a member of the creditors' committee.

Article 723 Rights and duties of the creditors' committee

1) The Court, the supervisory judge and the trustee in bankruptcy may require the creditors' committee to give its advice where appropriate.
2) Decisions of the creditors' committee shall be made by a majority vote of its members.
3) The creditors' committee shall be consulted by the trustee in bankruptcy with respect to:
   a) the verification of the accounts;
   b) the statement of affairs prepared by the debtor; and
   c) legal proceedings.
4) The creditors' committee shall supervise the trustee in bankruptcy.
5) The creditors' committee may make an application to the court to replace the trustee in bankruptcy. The creditors' committee shall make such an application if the creditors, representing a majority of the total amount of pre-insolvency claims, support the replacement of the trustee in bankruptcy.
6) The creditors' committee may at any time require information on the state of the bankruptcy proceedings and on the position of receipts and payments. The creditors' committee shall be consulted by the trustee in bankruptcy with regards to all legal proceedings.
7) A members of the creditors' committee may only be liable for gross negligence or willful misconduct.
8) Members of the creditors' committee shall represent the interests of the community of all creditors.
9) Members of the creditors' committee may not receive any remuneration. However, they shall have the right to request the reimbursement of expenses where such expenses have been approved in writing by the trustee in bankruptcy.

Section Five

The Public Prosecutor

Article 724 Powers of the public prosecutor in bankruptcy proceedings

1) The public prosecutor shall have the power to require the supervisory judge to transmit any deeds, books, documents related to the conduct of bankruptcy proceedings.
2) The public prosecutor shall have the duty to inform the supervisory judge, upon request or on his own motion, of all information relevant to bankruptcy proceedings, including any information regarding criminal proceedings involving the debtor, notwithstanding the confidentiality of investigations.

Chapter Three

Taking over and management of the estate

Section One

Divestment of the debtor

Article 725 Scope of divestment

1) The judgement opening bankruptcy proceedings shall automatically entail divestment of the debtor with respect to all of his assets.
2) Upon the judgement opening bankruptcy proceedings, the capacity to sue or to be sued shall only be vested in the trustee in bankruptcy. The Court may authorize the debtor to intervene in any proceedings upon the latter's request.
3) All acts taken in violation of these provisions shall be unenforceable against third parties.
4) Notwithstanding sub-articles (1) and (2) of this article, the debtor may benefit from his strictly personal rights such as indemnification as a civil plaintiff in criminal proceedings.

Section Two

Conservatory measures

Article 726 Handing over and closing of debtor's books

1) Notwithstanding the provisions of Article 725(1) of this law, the debtor may take conservatory acts and day to day management duties as practiced in its line of business until the trustee in bankruptcy takes over according to sub-article (2) of this Article.
2) Within three days of the opening of bankruptcy proceedings, the debtor shall hand over to the trustee in bankruptcy books and records to be reviewed and closed. Any third party that holds these books on behalf of the debtor shall have the obligation to deliver these books and records upon request by the trustee in bankruptcy. Where necessary, the supervisory judge shall give orders in order to enforce the surrender of the books and records.
3) Without prejudice to the provisions under Article 732 of this code, the trustee in bankruptcy shall summon the debtor to be present at the writing up and closing of his books and records.
4) Where the debtor does not appear, he shall be summoned by a registered letter or by any other electronic means with a receipt of acknowledgement to appear within forty-eight hours and to produce his books and records if they are in his possession.
5) The debtor may be represented by his attorney where the supervisory judge agrees.
6) Where the debtor fails to appear, either in person or by his attorney, the trustee in bankruptcy shall inform the public prosecutor who shall take the necessary steps to secure his attendance.

Article 727 Preserving debtor's rights

1) The trustee in bankruptcy, on assuming office, shall take all steps to preserve the rights of the debtor.
2) The trustee in bankruptcy shall enforce registration of mortgages and other security interests where registration has not been enforced during reorganization or winding up by the debtor after the declaration of bankruptcy. The mortgage shall be registered in the name of the bankrupt estate by the trustee in bankruptcy on proof of his status.

Article 728 Report to the supervisory judge

1) Within one month from assuming office, the trustee in bankruptcy shall send to the supervisory judge a report detailing the affairs of the debtor and the reasons for the opening of bankruptcy proceedings.
2) The supervisory judge shall send the report to the public prosecutor together with his observations thereon. Where the public prosecutor has not received the report within the prescribed period mentioned in Sub-article (1) of this article, he shall inform the public prosecutor, explaining the cause of the delay.

Section Three

Affixing of seals of bankrupt estate

Article 729 Bankrupt estate

1) The bankrupt estate shall include:
   a) all assets and rights, including usufruct, owned by the debtor;
   b) civil liability claims against third parties, including against *de facto* and *de jure* managers under Article 803 of this code.
2) The bankrupt estate may not include all assets and rights subject to recovery pursuant to Article 751 and 752 of this code.

Article 730 Affixing of seals

1) The court may when declaring the debtor bankrupt order that seals be affixed, in particular on stores, pay counters, tills, books, documents, papers and as may be appropriate on furniture and chattels belonging to the debtor.
2) Where the debtor has absconded or hides his property or has inappropriately used the assets, the appropriate public authorities, of their own motion or on an application made by a creditor, may, before adjudication, affix seals to the property specified in sub-article (1) of this article.

Article 731 Property not subject to affixing of seals

1) The court may, on the application of the trustee in bankruptcy, dispense him with affixing, or authorize him to remove seals on the property specified hereinafter:

a) in case of the bankruptcy of a sole proprietor, such basic personal movable property and chattels needed by the debtor and his family as have been set out in a list;
b) property necessary for the continued operation of the business or undertaking, where such continuation of operations has been authorized.

2) All property specified in sub-article (1) of this article shall be listed and valued by the trustee in bankruptcy, in the presence of the appropriate authorities who shall sign the list.

Article 732 Property removed from under seal

1) Where books and accounting documents have been sealed under Article 730(1) of this code, the supervisory judge, together with the competent authorities shall hand over the property to the trustee in bankruptcy after having removed the seals and closed the books and documents and report their status.
2) The competent authorities shall remove from under seal short term bills or bills to be presented for acceptance or in respect of which conservatory steps are required, list them and hand them to the trustee in bankruptcy for purposes of collection or otherwise. The trustee in bankruptcy shall prepare a report and submit them to the court.

Article 733 Correspondence addressed to debtor

1) The supervisory judge may order that correspondence addressed to the debtor be routed to trustee in bankruptcy after the opening of bankruptcy proceedings. The debtor shall assist the trustee in bankruptcy in the routing of mail. The debtor shall have the right to be present when correspondence addressed to him is opened by the trustee in bankruptcy.
2) All personal correspondence shall be returned to the debtor after verification by the trustee in bankruptcy.
3) The trustee in bankruptcy shall be permitted to access debtor's non-personal email account. The court may, for reasons of professional secrecy, restrict the trustee's access to debtor's non-personal email account.

Article 734 Removal of seals

Within five days from the affixing of seals, the trustee in bankruptcy shall ask for the removal of the seals in order to prepare an inventory of the debtor's property.

Section Four

Inventory

Article 735 General provisions

Article 659 of this code shall apply to bankruptcy proceedings subject to the provisions of this **Section Four Inventory**.

Article 736 Preparation and deposit of balance sheet

Where a balance sheet has not been prepared and deposited by the debtor, the trustee in bankruptcy shall without delay prepare and deposit with the court's registrar a balance sheet based on the books, documents, papers and other available information.

Article 737 Inventory of debtor's property

1) The trustee in bankruptcy shall prepare, with the assistance of the debtor, an inventory of the debtor's property after having summoned the debtor by a registered letter or any other electronic means with a receipt of acknowledgment.
2) During inventory, the debtor shall deliver to the trustee the list of creditors stating the amount of their claims, names and addresses, and the list of ongoing contracts as well as pending legal proceedings to which the debtor is a party.
3) All property of the debtor that is sealed under Article 730(1) or whose seal is removed under Article 734 of this code shall also be verified.
4) Goods placed under customs and warehouses shall receive special reference in the inventory.
5) The trustee in bankruptcy shall retain an original of the list of the inventory.
6) The trustee in bankruptcy may appoint an appraiser, an accounting expert, a public notary or any other qualified expert in order to prepare the inventory.
7) The absence of an inventory may not preclude the exercise of actions of claims or refunds.

Article 738 Taxes and Duties

1. Debtor shall state his tax and duty obligations to the trustee during the taking of inventory.
2. Trustee shall submit the statements of the debtor to the tax and social security authorities.
3. Where the debtor refuses to cooperate within twenty days of the request of the trustee, the trustee shall notify the refusal to the supervisory judge and to the tax and social security authorities.

Article 739 Inventory in the event of bankruptcy after death

Where the estate is declared bankrupt after the death of the debtor and no inventory has been prepared, or where the debtor has died before the inventory has been completed, the inventory shall be prepared and completed in the presence of the heirs or executors or in their absence after having been duly summoned through a registered letter or any other electronic means with a receipt of acknowledgment.

Article 740 Rights of the public prosecutor

1) The public prosecutor has the right to be present at the preparation of the inventory.
2) The public prosecutor has the right to inspect at any time any document, book or paper in bankruptcy proceedings.
3) The trustee in bankruptcy shall inform the public prosecutor to enable him to be present at the preparation of the inventory.

Article 741 Handing over to trustees of debtor's property

On completion of the inventory, all property listed in the inventory and related documents and records shall be handed over to the trustee and a note of such handing over shall be made at the foot of the inventory.

Section Five

Administration of debtor's estate

Article 742 General duties of the trustee in bankruptcy

1) The trustee in bankruptcy shall, with the permission of the supervisory judge, sell all depreciable or perishable goods or property the preservation of which is costly. The supervisory judge shall fix the conditions and procedures for such sale.
2) The trustee in bankruptcy shall collect receivables and deposit forthwith the proceeds in the bank account of the estate after deduction of costs and expenses authorized by the supervisory judge.
3) The trustee in bankruptcy shall inform the supervisory judge of the progress of the proceedings at least every three months.

Article 743 Calls on Shares and Subscriptions

1) The trustee in bankruptcy shall have the power to make calls on shares and order shareholders and partners to pay their subscriptions regardless of the fact that these subscriptions may not be due on the day of the judgement of bankruptcy.
2) Where shareholders and partners fail to meet their subscription within ten days from the notification of the trustee in bankruptcy, the trustee in bankruptcy shall take legal action to recover the subscription amounts on behalf of the estate.

Article 744 Continuation of operation of the debtor's business

1) Subject to Sub-article (2) of this Article, the judgement opening bankruptcy proceedings shall put an end to the business activity of the debtor.
2) The trustee in bankruptcy may continue operating the business where authorized by the court after a report from the supervisory judge and a recommendation of the creditors' committee. Such an authorization shall only be given where it is in the creditors' or public interest to maximize the value of the estate, in particular in order to prepare for the sale of the business as a going concern pursuant to Articles 747 to 750 of this Code. The court may order continuation of business for a maximum period of sixty days, which may be renewed only once for the same duration.
3) Instead of operating the business himself, the trustee in bankruptcy may be authorized by the supervisory judge to:
    a) appoint a receiver to carry on the business. The receiver shall have the necessary powers to carry on the business; or

b) be assisted in the recovery by some employees of the debtor.

4) Where the business continues to operate, post-insolvency creditors are entitled to be paid in accordance with contractual provisions. Where any such post-insolvency claims have not been paid, they shall have priority over unsecured creditors but shall rank below new financing granted in the framework of reorganization or preventive restructuring proceedings in accordance with Article 786 of this code.

Article 745 New Financing

1) In exceptional cases, upon approval of the creditors' committee, new financing may be authorized to finance the continuation of the debtor's business.
2) Such new financing shall have priority over unsecured creditors but shall rank below new financing granted in the framework of reorganization or preventive restructuring proceedings in accordance with Article 786 of this code. The court may confirm the granting of security for new financing over unencumbered assets of the estate in which case the priority of new financiers shall be treated in accordance with the rules of priority of secured creditors.

Article 746 Compromise or settlement

1) The supervisory judge may, in consultation with the creditors' committee and, after having heard the bankrupt debtor or in his absence after having been summoned by a registered letter or any other electronic means with a receipt of acknowledgment, authorize the trustee in bankruptcy to compromise or settle in respect of any claim concerning the bankrupt estate.
2) Any compromise or settlement exceeding one hundred thousand birr shall be ratified by the court after having heard the debtor's observations.

Section Six

Sale of the business as going-concern in bankruptcy proceedings

Article 747 Procedure

Where the court has authorized the continuation of the debtor's business following the recommendation of the creditors' committee in accordance with Article 744 of this code, the

trustee in bankruptcy shall prepare and implement the sale of the business as going-concern in accordance with Articles 689 to 692 of this code which shall apply *mutatis mutandis*.

Article 748 Approval of the take-over plan by the creditors' committee

1) The trustee in bankruptcy shall submit the bids received to acquire the business as a going-concern to the vote of the creditors' committee.
2) One or more dissenting creditors, representing at least twenty-five percent of the aggregate amount of pre-insolvency claims, may request the trustee in bankruptcy to convene a general creditors' meeting to vote on the bids.
3) The bid is accepted provided that one or more creditors, representing at least half of the claims of creditors support the bid, including by way of written agreements among the creditors. Creditors who are notified but neither present nor represented shall not be taken into account for the purpose of voting.

Article 749 Confirmation by the court of the sale of the business as going-concern

1) The court shall verify that the business plan of the winning bidder has a reasonable prospect of assuring the viability of the business.
2) Article 694(2) to (4) of this code shall apply to the sale of the business as going-concern in bankruptcy proceedings.

Article 750 Sale of other property of the estate

Where the business as a going-concern has been sold, the trustee in bankruptcy shall sell the remaining assets of the debtor in accordance with Articles 775 to 779 of this code.

Section Seven

Recovery from the estate

Article 751 General principle

1) The owner of tangible and intangible movable rights, goods, and assets, the possession in kind of which is with the debtor at the date of the opening of bankruptcy proceedings, shall

have the right to recovery, to be exercised in accordance with this **Section Seven Recovery from the estate.**

2) For the purpose of this Section Seven Recovery from the estate, rights, goods and assets shall include, in particular:
   a) negotiable instruments;
   b) goods in deposit or handed over for sale;
   c) goods delivered under ownership reserved clause;
   d) goods in transit delivered to the debtor's warehouse or to that of an agent entrusted with their sale on the debtor's behalf.
3) Receivables arising from the sale of the rights, goods and assets referred to in Sub-article (2) of this article that have not been paid by the sub-buyer, shall be subject to recovery.

Article 752 Collection of taxes and duties withheld on behalf of the government

1. The tax authorities shall have the right to collect taxes which the bankrupt debtor holds on behalf of the government.
2. The amount under sub-article (1) of this Article may not include interest and penalties which the bankrupt debtor may have to pay under the relevant tax laws. The interest and penalties shall be considered as pre-insolvency claims and shall be submitted as such in bankruptcy proceedings.

Article 753 Application for recovery

1) Persons entitled to recovery under this Section shall make an application for recovery to the trustee in bankruptcy within three months from the opening of bankruptcy proceedings, by a registered letter or any other electronic means with a receipt of acknowledgement.
2) The trustee in bankruptcy may accept or refuse the application, stating the reasons for such decision, by a registered letter or any other electronic means with a receipt of acknowledgement addressed to the applicant, within one month from the receipt of the application.
3) Where the trustee in bankruptcy does not respond within one month from the receipt of the application, the application shall be deemed to be accepted.

4) Where the trustee in bankruptcy has refused the application, the applicant owner may file an opposition with the supervisory judge, within one month from the receipt of the decision of refusal from the trustee in bankruptcy.
5) The supervisory judge shall decide such an application within fourteen days from the receipt of the application.
6) The applicant and the trustee in bankruptcy shall have the right to appeal the decision of the supervisory judge to the court within ten days from the decision.
7) Following the admission of the application for recovery, the trustee in bankruptcy shall immediately restitute the right, good or asset, including any payments received from the sub-transferee after the opening of proceedings.

Section Eight
Right of retention

Article 754 Right of retention

1) Article 658 of this code shall be applicable *mutatis mutandis* to bankruptcy proceedings.
2) The trustee in bankruptcy shall have the powers of the supervisor in reorganization with respect to rights of retention.

Chapter Four
Effects of judgement of bankruptcy

Section One
Effects as regards the debtor

Article 755 Obligations of the Debtor

In furtherance with the obligations of the debtor set out in Articles 636 and 637 of this code, upon the judgement opening bankruptcy proceedings, the debtor shall deliver to the trustee in bankruptcy a list of customers and clients and other related documents, including a list of names

and addresses, rights and obligations of contracting parties not supported by contract documents, with a view to facilitate the decision for the continuation of the business.

Article 756 Restrictions on debtor's movements

The debtor shall not leave the area in which he resides without the permission of the supervisory judge. The relevant provisions of the Criminal Code of Ethiopia shall apply where the debtor breaks any such prohibition. Where there are adequate reasons showing that the debtor may leave the country or change the area where he resides, the supervisory judge may apply to the Court to put restriction on the debtor from leaving his residence or the seat of his principal business.

Article 757 Employment of debtor

The debtor may be employed by the trustee in bankruptcy to facilitate bankruptcy proceedings upon authorization by the supervisory judge.

Article 758 Assistance to the debtor and his family

The supervisory judge may, when requested to do so by the trustee in bankruptcy, authorize part of the estate to be applied in supporting the debtor and his family where the debtor is a natural person and he does not have income to support himself and his family other than the estate.

Article 759 Spouse of the Debtor

1) The extent of the personal property of the spouse of the bankrupt debtor shall be determined in accordance with the relevant family laws.
2) The creditors' committee may request the supervisory judge that purchases made by the spouse of the bankrupt debtor be added to the estate by providing evidence that property acquired by the spouse was provided by the debtor.
3) The spouse of the bankrupt debtor who provided some professional, civil, commercial, or handcraft activity shall not exercise any action in relation to the benefits granted by one spouse to the other provided those services are provided within a year from the celebration of their marriage.

Article 760 Loss of capacity to sue or to be sued

Subject to personal actions in accordance with Article 672(2) of this code, after the date of judgement opening bankruptcy proceedings of the debtor, the capacity to sue or to be sued shall only be vested in the trustee in bankruptcy. The court may authorize the debtor to intervene in any proceedings upon the latter's request.

Section Two

Effects as regards Creditors

Article 761 General Stay of Individual Enforcement Actions

1) Subject to sub-articles (2) to (6) of this article, Articles 654 to 657 of this code shall apply *mutatis mutandis* upon the opening of bankruptcy proceedings.
2) Guarantors, including natural persons, may not invoke the benefit of a stay of individual enforcement actions in bankruptcy proceedings.
3) The trustee in bankruptcy shall have the power to sell all assets, including encumbered assets, except where such encumbered asset is in possession of a creditor as a pledgee.
4) The creditor in possession of an encumbered asset, may realize his *in rem* security interest or, at his discretion, entrust the trustee in bankruptcy with the sale of such an asset. Where the encumbered asset is realized by the secured creditor for a sum exceeding the amount of the claim, the excess shall be collected by the trustee in bankruptcy. Where the price of sale is less than the amount of the claim, the creditor may submit his claim for the difference, as an unsecured creditor.
5) Where the trustee in bankruptcy fails to take actions towards the sale of encumbered assets within six months after the judgement opening bankruptcy proceedings, all creditors whose claims are secured by a specified assets of the estate, including creditors benefiting from a sale contract with ownership reserved, may realize their *in rem* security interest.
6) Notwithstanding sub-article (1) of this article, creditors entitled to recover goods from the estate under Articles 751 and 752 of this code may bring their claims of recovery.

Article 762 Restitution of pledged assets

Article 656(2) of this code shall be applicable in bankruptcy proceedings. In particular, the trustee in bankruptcy shall have the powers of the supervisor in reorganization.

Article 763 Interest not to run

1) With the exception of claims secured by mortgage, the interest on claims of creditors in bankruptcy shall cease to run as of the date of the judgement opening bankruptcy proceedings.
2) Only sums arising from property given as security may be used to pay interest on secured debts.

Article 764 Pre-insolvency claims rendered due

1) From the date of the judgement opening bankruptcy proceedings, all pre-insolvency claims shall become immediately due and payable.
2) Pre-insolvency claims expressed in foreign currencies shall be converted into local currency at the official rate of exchange on the day of the judgement opening bankruptcy proceedings.

Article 765 Preference of the lessor

1) Where a lease is terminated under Article 595 of this code of this law, the lessor shall have a preference in respect of all claims arising out of the performance of the contract of lease and contingent damages for the two years of the lease prior to the judgement opening bankruptcy proceedings and for the current year.
2) The scope of the lessor's preference shall comprise all movables furnishing the premises leased, whether these movables belong or not to the lessee.

Section Three

Suspect acts and transactions performed prior to judgement of bankruptcy

Article 766 Invalidation actions

The trustee in bankruptcy shall take action to invalidate actions performed by the debtor during the suspect period prior to the judgement of bankruptcy in accordance with Article 671 to 677 of this code where these actions were not invalidated by the supervisor in reorganization in the

context of reorganization proceedings. For purposes of invalidation, the trustee in bankruptcy shall have the powers of the supervisor in reorganization.

Article 767 Institution of legal proceedings for invalidation

Article 673 of this code shall apply *mutatis mutandis* to bankruptcy proceedings. In particular, the trustee in bankruptcy shall have the power of the supervisor in reorganization and the creditors' committee shall have the powers of the controllers under this Article.

Chapter Five

Submission and verification of pre-insolvency claims

Article 768 Procedure for Submission and Verification

The provisions of Articles 649 (Notice to creditors), and Articles 662 to 670 (Submission and verification of pre-insolvency claims) shall be applicable *mutatis mutandis* to this Chapter Five **Submission and verification of pre-insolvency claims**, subject to the following provisions. In particular, the trustee in bankruptcy shall have the powers of the supervisor in reorganization.

Article 769 Submission of claims in respect of bankruptcy proceedings against entities with joint and several liability.

1) Where the debtor is an entity with unlimited liability, debts verified and admitted in the firm's bankruptcy by the creditors of the entity shall be deemed to be verified and admitted in each of the partner's bankruptcy, where the partners of the entity are declared jointly with the entity.
2) The firm's creditors may participate in all distributions until they are fully paid, without prejudice to claims as between the various bankrupt estates regarding over payment of contributions.
3) Personal creditors of the partners may only claim in the estate of their debtors.
4) Any creditor may contest preference with other creditors.

Article 770 Verification of claims

The trustee in bankruptcy shall verify pre-insolvency claims in the presence of the creditors' committee or its representative, where such committee has already been formed, and of the debtor, whether he is present of his own motion or in his absence, after being summoned by registered letter or by any other electronic means with a receipt of acknowledgement.

Article 771 Stay of admission or disallowance of objection

1) Where an objection contesting a debt is lodged and such objection may cause delay, the court shall decide whether to stay the admission of the pre-insolvency until the objection is decided on by the competent court or tribunal.
2) Where the competent court or tribunal disallowed the objection, it may at the same time make an order enjoining the trustee in bankruptcy to provisionally accept the claim.
3) Where a debt gives rise to criminal proceedings, the court may order a stay of bankruptcy proceedings. In such a case, where the competent court or tribunal disallows the objection, it may not make an interlocutory order for the acceptance of the pre-insolvency claim and the creditor holding the contested debt may not join in the proceedings until judgement in criminal proceedings has been given.

Article 772 Creditors not having submitted pre-insolvency claims within the specified period of time

1) Creditors failing to submit their pre-insolvency claim within the specified period of time shall not share in any distribution, but they may lodge an objection until final distribution of the residue.
2) Any such objection shall not suspend any distribution authorized by the supervisory judge in bankruptcy proceedings. However, where further distributions are made, such creditors shall share therein to the extent of an amount provisionally fixed by the court and retained in reserve until adjudication upon their objection.

Article 773 Creditors subsequently admitted

Creditors admitted after distributions ordered by the supervisory judge in reorganization proceedings shall have no claim in such distributions, but they may deduct from undistributed assets the dividends relating to their claims in the first distributions.

Article 774 Submission of claims jointly and severally guaranteed

1) Article 670 of this code shall apply *mutatis mutandis* in bankruptcy proceedings.
2) Any payment made by a guarantor in favor of the creditor shall be taken into consideration when calculating the final distribution.
3) A creditor whose claim has been endorsed or guaranteed jointly and severally by several guarantors subject to insolvency proceedings may submit his pre-insolvency claim in all the proceedings for the nominal value of such pre-insolvency claim and share in the distributions in each proceedings until his claim is fully satisfied.
4) Where a guarantor has paid a creditor but has not submitted his pre-insolvency claim in accordance with Sub-article (1) of this article, he shall not be admitted to distributions, save for the portion of the claim paid for which the creditor had been admitted.

Chapter Six
Winding-up and Payment of Claims

Section One
Winding-up

Article 775 Winding up of the bankrupt estate

Upon the expiry of the continuation period, if any, under Article 744 of this code, the court shall order the winding-up and payment to the creditors entitled as per the order of priority of payments set down in this Chapter.

Article 776 Sale of assets

1) Subject to the special provisions of this Chapter, the trustee in bankruptcy shall sell the debtor's movable and immovable property in accordance with the provisions of the Civil

Procedure Code. The proceeds of the sale shall be deposited in accordance with Article 720 (1) (e) of this code. The trustee in bankruptcy shall submit forthwith receipt of deposit to the supervisory judge.

2) The trustee in bankruptcy may enter into an agreement regarding any rights of the debtor as provided in Article 746 of this code.

3) The sale of assets shall occur free and clear of all liens, encumbrances, charges, and liabilities, whether actual, contingent or otherwise, including, and in particular, environmental charges and liabilities.

Article 777 Sale of immovable assets

1) Where foreclosure proceedings have been stayed due to the judgement opening bankruptcy proceedings, the trustee in bankruptcy shall be subrogated to the foreclosing creditor and shall sell the security in accordance with the provisions of this Chapter. The process of sale of the immovable assets shall start within eight days of the order of the supervisory judge in bankruptcy.
2) The supervisory judge may authorize the private sale of immovable assets by the trustee in bankruptcy where such procedure is likely to increase the price by comparison with a public auction sale.
3) Where the trustee in bankruptcy fails to start the process of sale within six months of the date of the judgement opening bankruptcy proceedings, the secured creditor shall be reinstated to its power of foreclosure sale unless the court for good cause grants an extension upon the request of the trustee in bankruptcy. The distribution of the proceeds shall be subject to the provisions of this Chapter.

Article 778 Sale of the debtor's business assets

1) Where the sale of the business as a going-concern has not occurred in reorganization or bankruptcy proceedings, the trustee in bankruptcy may sell together all or part of its tangible and intangible movable assets, if he believes that such a sale is feasible and provided that it maximizes the price by comparison to a piecemeal sale.
2) The trustee in bankruptcy may decide to sell the business by means of a public auction or private sale, whichever seems the more likely to maximize the price.

Article 779 Sale of assets in piecemeals by all means

The trustee in bankruptcy shall sell all the remaining assets of the debtor by means of public auction or private sale, whichever seems the more likely to maximize the purchase price.

Section Two
Interim Distributions

Article 780 General principles

1) Article 780 to 784 of this code shall apply where specified encumbered or unencumbered assets are sold and proceeds distributed before the final distribution in accordance with Article 785 to 793 of this code.
2) Article 780 to 784 of this code shall apply to all secured creditors whose right *in rem* security is related to specified assets of the estate, whether such assets are immovable or movable, tangible or intangible.
3) For the purpose of this section, preferred creditors on all movable or immovable assets of the debtor may participate in interim distributions but shall be treated as unsecured creditors.

Article 781 Sale and distribution from encumbered assets

1) Where the trustee in bankruptcy realizes encumbered immovable or movable, tangible or intangible assets of the estate, and decides to distribute the proceeds, creditors with security over these assets shall be paid in priority over other creditors, after deduction of costs and expenses for the realization of such encumbered assets.
2) Secured creditors who have been paid out of the proceeds of the assets as laid down in sub-article (1) shall be treated as unsecured creditors for the residual amount still remaining due.

Article 782 Sale and distribution from the proceeds of unencumbered assets

Where the trustee in bankruptcy decides to realize and distribute the proceeds of unencumbered assets before the sale of encumbered assets of the estate, secured and preferred creditors with verified and admitted pre-insolvency claims may participate along with unsecured creditors in proportion to the whole of their pre-insolvency claims, subject to the deductions set forth in 0.

Article 783 Deductions

1) After the sale of encumbered assets and final establishment of the order of priority of secured, preferred and unsecured creditors in accordance with Article 786 of this code secured and preferred creditors entitled to claim priority of payment from the proceeds of encumbered assets shall receive their secured dividends only after the deduction of the amounts collected by them from the proceeds of the sale of unencumbered assets.
2) Amounts thus deducted shall be added to the estate and form part of the proceeds to be distributed among creditors in accordance with the order of priority set down in Article 786 of this code.

Article 784 Partial payment of secured creditors

Where secured creditors have received partial payment from the distribution of the proceeds of the sale of encumbered assets:

1) The remaining unsecured portion of their pre-insolvency claims shall be finally settled after the sale of the other assets, including unencumbered in the final distributions.
2) Any residue which they have received over such amount in the prior distribution shall be withheld from the amount of their secured dividend and allocated to the unencumbered assets.

Section Three
Final distributions

Article 785 Exclusive right of secured creditors

1) Creditors secured by rights *in rem* over specified assets, including by pledges and mortgages, shall have an exclusive right on the realization value of the encumbered assets, after deduction of costs and expenses for the realization of such encumbered assets.
2) The residual portion of pre-insolvency claims not covered by such net realization value shall be treated as unsecured claims.

Article 786 Ranking priorities

After the realization of encumbered assets, the remaining proceeds of the realization shall be distributed among preferred and unsecured creditors in accordance of the following ranking priorities:

1) costs and expenses of the proceedings;
2) new financing in the context of preventive restructuring;
3) new financing in the context of reorganization;
4) new financing authorized in the context of bankruptcy;
5) post-bankruptcy creditors, including creditors of new and ongoing contracts;
6) employee claims and claims of social security authorities;
7) taxes and duties owed to federal, regional and local government authorities, other than those which can be claimed from the debtor holding taxes and duties on behalf of the government (but excluding interest and penalties);
8) amounts ordered for the maintenance of the bankrupt debtor and his family;
9) other preferred creditors;
10) unsecured creditors;
11) Penalties and fines imposed upon the debtor.

Article 787 Subordination

Contractual subordination clauses, in particular in credit agreements, shall be enforceable in bankruptcy proceedings and shall be taken into consideration in the ranking of Article 786 of this code.

Article 788 Costs and expenses of the proceedings

Costs and expenses of the proceedings shall include *pari pasu* the costs and expenses incurred in connection with bankruptcy proceedings as well as those incurred in connection with reorganization proceedings which has been converted into bankruptcy proceedings, including:

1) payments to the supervisor in reorganization, the trustee in bankruptcy and to the employees they recruited;
2) costs and expenses incurred for the conduct of the reorganization and bankruptcy proceedings and other costs that the court may order;

3) costs and expenses made by the supervisor in reorganization and trustee in bankruptcy in performance of their duties as authorized by law or court.

Article 789 Principle of distribution of payments

1) Where the total amount to be paid is not sufficient to fully satisfy the claims of creditors belonging to the same class of rank, such creditors shall be paid on a pro rate basis based on the admitted claims.
2) Where the total amount of money to be distributed is not sufficient to fully satisfy the claims, the creditors at the lower rank shall not be paid before all the creditors at the higher rank are fully paid.

Article 790 Reserve account for contested pre-insolvency claims

1) The final distribution shall not be delayed by the outcome of legal proceedings with respect to disputes on the admission of contested claims.
2) The trustee in bankruptcy shall retain, in a reserve account, a portion of the proceeds corresponding to the amount the creditor of the contested claim would have received if its claim was admitted and shall adjust, where necessary, the final distribution accordingly.

Article 791 Proposal of distribution

1) The trustee in bankruptcy shall submit to the creditors' committee the proposal for distribution of the amount deposited in accordance with Article 786 of this code.
2) On the recommendation of the creditors' committee, the trustee in bankruptcy shall make all relevant changes in the proposal and shall submit the amended proposal to the supervisory judge for approval.
3) The supervisory judge shall approve the amended proposal and order its deposit with the Court's registrar.
4) Where the supervisory judge rejects the proposal, he shall communicate his amendments to the trustee in bankruptcy who then shall revise the proposal accordingly and deposit the final proposal with the Court's registrar.
5) The trustee in bankruptcy shall inform each creditor of the deposit by a registered letter or any other electronic means with a receipt of acknowledgement.

6) Within ten days of being informed, creditors may submit an opposition to be decided by the supervisory judge, subject to appeal before the court.

Article 792 Method of payment

The trustee in bankruptcy shall pay to each creditor whose claim is verified and admitted his entitlement, in accordance with the final proposal of distribution set out in Article 791, from the account opened in the name of the bankrupt estate under the provisions of Article 786 of this code.

Article 793 Amount refunded to debtor or shareholders

Where there is residual money after all debts and costs owed by the debtor are fully paid in accordance with this law, such money shall be refunded to the debtor or, where the debtor is company, to the shareholders proportionately or in accordance with the bylaws of the company.

Chapter Seven
Closure of Bankruptcy Proceedings

Article 794 Grounds for closing bankruptcy proceedings

Subject to the provisions of Article 796 of this code, bankruptcy proceedings shall be closed:

1) by the final distribution of the proceeds of the winding-up;
2) by reason of insufficiency of assets; or
3) by reason of absence of any claim against the estate.

Article 795 Closure by reason of insufficiency of assets

1) Where at any time during the bankruptcy proceedings, it becomes apparent that the proceeds of the sale of the assets, net of any distribution to secured creditors, is insufficient to cover the costs and expenses of the proceedings, at the request of the trustee in bankruptcy, the court may order the closure of bankruptcy proceedings.
2) Where at any time the bankruptcy proceedings, it becomes apparent that the remaining assets are insufficient to pay unsecured or a category of preferred creditors in accordance with the

ranking of Article 786 of this code, at the request of the trustee in bankruptcy, the court may order a stop to the verification and admission procedure of such pre-insolvency claims which are unlikely to be paid, and order the closure of bankruptcy proceedings.

3) Where at any time the bankruptcy proceedings, it becomes apparent that the sale of assets is unlikely to produce positive net proceeds, at the request of the trustee in bankruptcy, the court may order the closure of bankruptcy proceedings.
4) The closure of bankruptcy proceedings shall not affect the rights of creditors to call on personal guarantees of the debtor for the unsatisfied portion of their claim.

Article 796 Reopening of bankruptcy proceedings

1) The debtor or any other interested party may at any time apply to the court for setting aside the order closing bankruptcy proceedings upon showing that there are sufficient funds to meet the costs of the proceedings, or upon depositing with the trustee in bankruptcy a sufficient amount to meet the costs.
2) The debtor shall first pay the costs arising from proceedings under Article 795 of this code.

Article 797 Closure by reason of absence of claim against the estate

1) After the deposit of the inventory of debts, the court may on the application of the debtor order the bankruptcy proceedings to be closed, where the debtor proves that he has paid all claims and all costs including the fees of the trustee in bankruptcy or that he has deposited with the trustee in bankruptcy an amount sufficient to meet all the stated payments.
2) The court shall make its decision upon a report by the supervisory judge showing that the debtor has satisfied the requirements under Sub-article (1) of this Article.
3) The judgement has the effect of bringing the bankruptcy proceedings to an end and restoring the debtor to his full rights.

Article 798 Entry in commercial register

The court’s registrar shall ensure that any judgement closing bankruptcy proceedings in accordance with the provisions of this chapter is duly registered in the commercial register and published in accordance with the provisions 0 of this law.

Title Five

Discharge of the bankrupt

Article 799 Discharge

1) A bankrupt trader who is a natural person shall, notwithstanding there is unpaid debt, be discharged from all his debts after three years from the judgement opening bankruptcy proceedings.
2) The following traders shall not benefit from the discharge provided under Sub-article (1):
   a) a trader who he is guilty of crime related to bankruptcy;
   b) a trader against whom an evidence is produced for concealing or removing property;
   c) a trader who fails to cooperate, or to carry out in good faith his obligation in the course of bankruptcy proceedings; or
   d) a trader who has been declared bankrupt within five consecutive years preceding the judgement opening bankruptcy proceedings.
3) The following debts shall not be discharged:
   a) debts related to taxes and duties, subject to the application of other laws allowing waiver of taxes, duties and penalties;
   b) debts arising from dissolution of marriage, maintenance; and
   c) criminal penalties.

Article 800 Procedure for application for discharge

1) The bankrupt shall apply to the Court which ordered the judgement opening bankruptcy proceedings and submit with his application all relevant receipts and documents supporting his discharge.
2) Upon receipt of the application, the Court shall forward the application together with the supporting documents to the public prosecutor in the area where the bankrupt resides. The trustee in bankruptcy shall receive the application and documents.
3) The Court and the public prosecutor shall collect all relevant information to verify the accuracy of debtor's application.
4) The trustee in bankruptcy and the public prosecutor shall submit to the Court their reports on the application within thirty days from the receipt of the application and documents.

Article 801 Notice to creditors and opposition

1) The court shall order the notice of the request for discharge to be sent to all creditors admitted or shown on the list of creditors prepared by the trustee in bankruptcy during bankruptcy proceedings of the debtor. The notice shall be sent by registered letter or any other electronic means with a receipt of acknowledgement.
2) Creditors who have not been fully paid under bankruptcy proceedings may within fifteen days from the notice file an opposition to the discharge of the bankrupt by submitting relevant supporting documents evidencing why the bankrupt should not be discharged.
3) The court shall send to the public prosecutor the opposition filed by creditors together with the report of the trustee in bankruptcy concerning the discharge of the bankrupt.
4) The court may, where necessary, summon the bankrupt and opposing parties and hear them behind closed doors.
5) Applications for discharge shall be exempt from stamp duties, registration as well as any other taxes and charges.

Article 802 Judgement ordering or rejecting the discharge

1) The court shall order discharge where the bankrupt fulfills the conditions for discharge set out under Article 799 of this code.
2) Where the court has rejected the application for discharge, the bankrupt may apply for discharge only after the expiry of one year from the date of rejection of his discharge by the court.
3) Where the court has ordered discharge of the debtor, such order shall be registered in the commercial register. The discharge shall not entail any radiation of the bankrupt from the commercial register.
4) The debtor shall be allowed to publish his discharge in a newspaper of wide circulation in Ethiopia.

Title Six
Civil Liabilities, Disqualifications, Offenses and Personal Bankruptcy

Chapter One
Civil liability of managers and third parties

Article 803 Liability of Managers

1) The Court may, in the course of bankruptcy proceedings, order that one or more *de facto* or *de jure* managers of an entity bear all or part of the debts of the entity where the manager is at fault and has contributed to the insufficiency of assets of the company, corresponding to the aggregate of the decrease of value of the assets and the increase of value of the liabilities, in particular by:
   a) gross negligently failing to file for bankruptcy within forty-five days after the cessation of payments; or
   b) grossly negligently continuing money-losing activities;
   c) carrying out commercial operations on their own personal behalf and disposing of company assets as though they were their own and concealing their personal affairs under the cover of the company.
2) Where several managers have committed the management faults contributing to the insufficiency of assets, the court may hold these managers liable jointly and severally.
3) Sums recovered under an action under sub-article (1) of this article shall be used to pay off creditors of the bankrupt entity in accordance with the order of priorities of Article 786 of this code.

Article 804 Liability of creditors

1) Creditors who have abusively supported the debtor, by granting credit facility, shall only be liable where creditors:
   a) have committed fraud; or

b) have acted as *de facto* managers of the debtor; or
c) have taken, over the assets of the debtor, rights *in rem* securities that are disproportionate in comparison with the amount of the credit facility;

2) In addition to the conditions set out in sub-article (1) of this article, creditors may only be liable where:
   a) the terms and conditions of the credit facility were ruinous for the debtor; and
   b) the creditor knew or should have known the debtor was in cessation of payments and impossible to be redressed.
3) The amount of damages shall correspond to the aggregate of the decrease of value of the assets and the increase of value of the liabilities, since the granting of the credit facility.

Article 805 Liability of shareholders

Subject to liability incurred as *de facto* managers under Article 803 of this code, shareholders of the debtor shall only be liable towards creditors of the debtor where the shareholders:

1) have committed fraud; or
2) acting in their own interest, have given instructions to the management, leading to the cessation of payments of the debtor.

Article 806 Claimants

1) The actions referred to in this Chapter may only be brought before the court by the trustee in bankruptcy.
2) Where the trustee in bankruptcy decides not to institute proceedings, a creditor, acting *ut singuli* on behalf of the estate, may institute such proceedings after having summoned the trustee in bankruptcy to do so and where such a summon is issued, no or a negative response within one month from the receipt.
3) Where such action is successful, the expenses engaged by the creditor for purpose of the proceedings shall be borne by the estate.
4) The claimant shall bear the burden of the proof.

Chapter Two

Criminal Sanctions and Disqualifications arising from bankruptcy

Article 807 Negligent Bankruptcy

Unless the Criminal Code of Ethiopia provides for more severe punishment, debtors and managers of business organizations that have been declared bankrupt and who:

1) intentionally enter into contracts giving undue advantage to the other contracting party;
2) with intent to delay the cessation of payments, make purchases for re-sale at lower prices or with intent to delay, used ruinous means to obtain funds;
3) without lawful excuse, failed to declare cessation of payments to the court within forty-five days of the cessation of payments in accordance with Article 705 of this code;
4) willfully left the financial statements incomplete or kept books and records irregularly or kept financial statements that failed manifestly to comply with accounting reporting standards given the size of the company;

shall, upon conviction, be punishable with simple imprisonment not exceeding six months and a fine amounting to ten thousand Ethiopian Birr (10,000 ETB).

Article 808 Fraudulent Bankruptcy

Unless the Criminal Code of Ethiopia provides for more severe punishment, a debtor and persons who, directly or indirectly, *de jure* or *de facto*, have managed a business organization and persons who have served as lawful representatives of the managers shall, upon conviction, be punishable with simple imprisonment not exceeding one year and be fined ten thousand Ethiopian Birr where they:

1) embezzled or concealed all or part of the assets of a business organization;
2) fraudulently declared themselves liable for sums not owed either in his accounting records or by virtue of the law or commitments lawfully entered;
3) fraudulently increased the bankrupt debtor's liabilities;
4) kept fictitious books of accounts or destroyed accounting documents and records belonging to the bankrupt debtor;
5) kept accounts that are manifestly incomplete or irregular.

Article 809 Disqualifications arising from bankruptcy

1) Debtors and managers, who are convicted of the offense provided for in Article 808 of this code (fraudulent bankruptcy) may, in addition to or in lieu of the sentences and fines, incur one or more of the following disqualifications:
   a) prohibition from any commercial act, including the capacity to manage, administrate or control a sole proprietorship business or any legal entity engaged in any commercial activity;
   b) prohibition from exercising civic, civil and family rights according to the Secondary Punishments that may be imposed by the Criminal Division Courts under the Criminal Code of Ethiopia;
   c) prohibition from occupying a public office, from running directly or indirectly professional or corporate entities;
   d) ineligibility for public procurement contracts;
   e) prohibition from issuing cheques and other negotiable instruments other than those allowing for the withdrawal of funds by the drawer from the issuing bank or from issuing certified cheques.
2) The court which pronounces the prohibitions and disqualifications stated under sub-article (1) of this article shall fix the duration of the prohibitions, which may not be less than six months but not exceeding five years, unless other mandatory laws provide for longer period of prohibition and disqualification.

Article 810 Offenses of Legal Entities

1) Business organizations may be declared guilty, according to and subject to the conditions provided for in Article 34 of the Criminal Code of Ethiopia for offenses stipulated in Article 808 of this code.
2) The penalties to be incurred by business organizations shall be a fine, under the terms and conditions provided for in Article 90 of the Criminal Code of Ethiopia.

Article 811 Granting of Benefit

1) A debtor or a *de facto* or *de jure* manager of debtor's business who, during reorganization or bankruptcy proceedings:
   a) grants a mortgage or a pledge or carries out an act of transfer without the permission provided for in Article 653 sub-article (3) of this code, or who pays, in whole or in part, a debt in breach of the prohibition referred to in 0 sub article (1) of this law;
   b) makes a payment in breach of the terms and conditions for the payment of liabilities provided for the reorganization plan under Article 656 sub article (1) of this code.
2) A creditor of the debtor who, during the observation period or while a restructuring plan or reorganization plan is being implemented, while being aware of the debtor's situation, requests or receives an irregular payment under article 655 (5) and sub-article (2) of 687 this code.
3) A winning bidder who violates the obligation of untransferability of assets under Article 694 sub article (3) of this code.

shall, upon conviction, be punishable by simple imprisonment not exceeding one year and a fine of ten thousand (10, 000) Ethiopian Birr.

Article 812 Offenses by Related Persons

A spouse, relatives by consanguinity or affinity up to a fourth degree inclusive of the debtor who embezzle, conceal or illegally hold assets that should belong to the estate of the bankrupt debtor shall, upon conviction, be punishable with a simple imprisonment not exceeding six months and a fine of ten thousand (10, 000) Ethiopian Birr.

Article 813 Offenses by Supervisory Judge, Supervisor in reorganization or Trustee in bankruptcy

A supervisory judge, a supervisor in reorganization or a trustee in bankruptcy who:

1) voluntarily harms the creditors' or debtor's interests by either using the payment received under the proceedings of this Book while carrying out his duties for his own profits or causes others to grant him benefits that he is aware that they are not due; or
2) makes use, in his own interest, of his powers for a purpose he knows to be contrary to the creditors' or debtor's interests;

shall, upon conviction, be punishable with simple imprisonment not exceeding one year and a fine of ten thousand (10, 000) Ethiopian Birr.

Article 814 Prosecution of offenses

1) The public prosecutor or the trustee in bankruptcy shall seize the criminal court on the offenses set down in this Chapter.
2) The trustee in bankruptcy shall forward to the public prosecutor supporting documents, receipts and other information in his possession for the effective prosecution of the offenses. Supporting documents and receipts shall be kept at the court registry when they are required.
3) Convictions for negligent or fraudulent bankruptcy and other related offenses may be prosecuted even where the debtor has not been adjudged bankrupt under Title IV.

Article 815 Personal bankruptcy

1) The Court may, in the course of bankruptcy proceedings, order that one or more *de facto* or *de jure* managers of an entity declared bankrupt personally and bear all or part of the debts of the entity, where he has committed the following acts:
   a) selling property belonging to the entity as his own;
   b) carrying out the transactions of the entity to further his personal interests by using the entity as a cover;
   c) using the property or credit of the entity for personal purposes or in favor of another entity in which he has direct or indirect interest;
   d) engaging in a manifestly unprofitable venture for his personal gain using the entity as a cover;
   e) embezzling or concealing all or part of the assets of the entity or fraudulently increasing its debts.
2) Sums recovered under a suit above shall be used to pay off creditors of the bankrupt entity in accordance with the orders priority laid down in Title IV.

Title Seven
Simplified bankruptcy proceedings for small and medium enterprises (SMEs)

Article 816 Scope

1) The simplified bankruptcy proceedings referred to in this Title shall apply to small and medium-sized enterprises who are in cessation of payments and whose value of assets in their balance sheet of the last twelve months is less than twenty (20) million Birr, or whose annual turnover of the last twelve months is less than five (5) million birr (adjusted for inflation) or whose total number of employees is less than ten (10).
2) The court shall not open simplified bankruptcy proceedings where the debtor has been dishonest and, in particular, concealed part of its assets, fraudulently omitted certain creditors, exaggerated his liabilities or committed any other fraudulent acts.
3) Where the court determines that a debtor under simplified bankruptcy proceedings is dishonest according to sub-article (2) of this article, it shall immediately convert simplified bankruptcy proceedings into bankruptcy proceedings.

Article 817 Opening of proceedings

1) The debtor shall apply for the opening of simplified bankruptcy proceedings within forty-five days from the date of cessation of payments.
2) Where the debtor is in cessation of payments, a creditor or the public prosecutor may file an application to the court to open simplified bankruptcy proceedings.

Article 818 Submission of documents

1) The following documents shall be submitted as annexes to an application by the debtor for the opening of simplified bankruptcy proceedings:
   a) the last balance sheet, financial statements or accounts of the debtor;
   b) a list of commercial credits and debts, with the names and address of the creditors and debtors;

c) a list of main ongoing contracts, including supply contracts, lease and license agreements.

2) The court may order the debtor or any third party, including banks and public authorities, to submit any additional relevant documents.

Article 819 Trustee in bankruptcy

1) The court shall appoint a trustee in bankruptcy for the duration of simplified bankruptcy proceedings.
2) Acting independently, the trustee in bankruptcy shall, among others, carry out the following tasks:
   a) notify the creditors the opening of simplified bankruptcy proceedings;
   b) verify the completeness and truthfulness of the information submitted to the court by the debtor, and report to the court any dishonest behavior of the debtor;
   c) selling all the debtor's assets by means of auction or individual sale, whichever is more efficient to maximize the purchase price;
   d) establish a list of creditors, which claims have been accepted, to be deposited with the court's registrar;
   e) distribute the product of the sale among the creditors in accordance with their ranking in accordance with 0;
   f) establish a final report to the court summarizing the list of creditors, the sale of assets and the distribution of the proceeds.
3) The trustee in bankruptcy shall complete the sale of all assets and the distribution of the proceeds within one year from the opening of proceedings.
4) In furtherance to liability provisions in 0, the trustee in bankruptcy may engage his personal liability where he has not completed the sale of all assets and the distribution of the proceeds within one year from the opening of proceedings.

Article 820 Duration of simplified bankruptcy proceedings

The duration of simplified bankruptcy proceedings shall be limited to one year.

Article 821 Closing of simplified bankruptcy proceedings

The court shall, after the expiration of one year, close simplified bankruptcy proceedings.

Article 822 Discharge of debts

Upon the closing of simplified bankruptcy proceedings, debtors as physical persons shall be discharged from all their debts, including contingent unknown debts, provided that:

1) the debtor has not been dishonest;
2) the debtor has not filed for opening of bankruptcy or simplified bankruptcy proceedings within the last three years.

Article 823 Cancellation of legal persons

Upon the closing of simplified bankruptcy proceedings, debtors as legal persons shall be cancelled from the commercial register.

Article 824 Reopening of simplified bankruptcy proceedings

Where, upon the closing of simplified bankruptcy proceedings, the debtor has any remaining assets, creditors shall have the right, within two years after the closing of proceedings, to request the reopening of simplified bankruptcy proceedings, in order to allow the sale of these assets and distribution of proceeds.

Article 825 Opening of bankruptcy proceedings

Notwithstanding the closing of simplified bankruptcy proceedings, a creditor shall have the right, within two years after the closing of proceedings, to request the opening of bankruptcy proceedings where he can prove that the debtor has acted dishonestly.