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REVIEW OF JORDANIAN COMPANIES LAW

Final Report

U.S. Agency for International Development

Prepared for: USAID/Jordan

Prepared by: The Services Group

**Sponsored by: Private Enterprise Development
Support Project III
Contract No. PCE-0026-Q-00-3031-00
Delivery Order No. 2
Prime Contractor: Coopers & Lybrand, LLP.**

April 1995

**Coopers
& Lybrand**

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Consultant to The Services Group**

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Table 2.1

Limited Liability Companies Flow Chart

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Abbreviations and Currency Equivalents

Abbreviations

ABI	Amman Bank of Investments
AFB	Amman Financial Bank
AFM	Amman Financial Market
C/C	Controller of Companies
Dh	Dinar
GOJ	Government of Jordan
IPD	Investment Promotion Department
JD	Jordanian Dinar
JIC	Jordan Investment Corporation
KOJ	Kingdom of Jordan
LLC	Limited Liability Company
MIT	Ministry of Industry and Trade
PEDS	Private Enterprise Development Support Project
PSC	Public Shareholding Companies
SEC	Securities Exchange Commission
S/H	Shareholder
UAE	United Arab Emirates
UPA	United Partnership Act
US	United States
USAID	United States Agency for International Development
RMBCA	Revised Model Business Corporation Act

Currency Equivalents

(At early April 1995)

Currency Unit	Jordanian Dinar (JD)
US\$1.00	JD .65

Executive Summary

USAID has requested that this report be prefaced by a summary of a few of the most important recommendations contained in the more detailed analysis. In accordance with the Scope of Work for this assignment, these recommendations are divided into three principal areas: registration, Controller's authority, and general policy guidance.

Registration Process

In terms of the registration process, a few immediate and relatively straight forward measures can be taken to improve the process both procedurally and substantively. These include:

- Liberalization of signature requirements for all entities;
 - Elimination of pre-registration approvals by other ministries;
 - Liberalization of name usage and simplification of initial capitalization requirements for LLCs and PSCs;
 - Reduce the size, scope, and deliberation times of the Issuing Committee; and,
 - Implement several administrative processing changes within the Office of the Controller, in particular, the in-take processing should be improved and the filing system should be modernized.
-

Controller Authority

Generally, the Controller's role should be less regulatory and more administrative. In the processing of registrations, the Controller should have final administrative action except in those instances where large PSCs are involved. Other, more specific recommendations made in this report include:

- Appoint the Controller as Chair of the Issuing Committee and simplify the Controller's role in the valuation of in-kind shares;
 - Allow the Controller to appoint auditors and lawyers to conduct shareholder meetings;
 - Grant the Controller greater autonomy in approving capital decreases and increases, mergers, and transformations;
 - Empower the Controller to receive modest annual franchise fees and enhance the Controller's administrative capacity by adding a cashier and legal counsel to the office; and
 - Clarify the measures available to the Controller to enforce the Law.
-

General Policy Guidance

The length and breadth of the current Companies Law impedes the efficient formation and registration of companies in Jordan. There should be a division of responsibility whereby the Controller oversees the formation and standing of private business entities while a securities regulatory body should oversee the registration and compliance of public share companies seeking to raise capital from the general public.

Ideally the process of creating a securities law and regulatory capacity should coincide with the revision of the Companies Law, however, as the former process will require careful collaboration among the Amman Financial Market, the Central Bank, the Private Sector, and the Ministries of Finance and Industry and Trade, the short-term objective of first improving the Companies Law is the recommended approach.

A final observation is worth noting; the absence of the practicing bar in the revision of the Companies Law is indefensible. These practitioners deal with the application and interpretation of the law on a daily basis and their counsel should be actively solicited. The efforts of the Jordanian Bar Association to form a Companies Committee to consult on the drafting process should be supported by USAID in at least moral, if not material terms.

Chapter 1

Overview

Introduction

The scope of work for this assignment was established by the Task Order of July 11, 1994 issued by the USAID Sector Policy Reform Technical Support Project (PEDS III Buy-in). This scope was supplemented by discussions with the Office of the Controller of Companies and USAID staff upon arrival in Jordan.

This chapter is divided into three substantive components:

- to make improvements on the registration of companies;
- to clarify and increase the autonomy of the Controller of Companies ("Controller"); and,
- to make general suggestions on provisions of the Companies Law unrelated to registration and Controller autonomy.

This chapter is followed by a detailed analysis of the Companies Law which includes 130 comments of the Law's 321 *Articles* with numerous recommendations proposing alternative statutory language (some of which merely advise on draftsmanship) and administrative procedures. The technical analysis is supplemented with some general observations and recommended actions on circumscribing the procedural and administrative aspects of the company registration and oversight process in Jordan. A copy of the Jordian Companies Law has been provided for reference as Appendix B.

Methodology

After a first-cut analysis of the Law, the consultant spent eight days conducting interviews with key players in the private sector, government, underwriters, financial institutions (including the Amman Financial Market), and, the practicing bar. Several of the interviewees included members of a Ministry of Industry and Trade's drafting committee currently recommending revisions to the Law before submission and debate by Parliament. Summary notes of these meetings have been appended to this report. These interviews were instrumental in the identification of the critical shortcomings of the current law.

A substantial portion of each day was spent in the Office of the Controller observing the registration process and soliciting detailed comments from registrants, lawyers, and executive staff on various aspects of the Law.

At the margins of my official meetings and work within the Controller's office, opinions were solicited from dozens of government officials, private businessmen, foreign investors, and most importantly, members of the practicing bar. These meetings and observations were critical in garnering a practical understanding of the Companies Law and the relationship of the private and public sectors in Jordan.

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After developing this subjective and objective information base, a detailed review of the Law was undertaken in the hope that this analysis would have a solid underpinning of practicality. In making recommendations, numerous U. S., European, and regional sources, were consulted, especially, model U.S. laws, the Greek Companies Law, and the Companies Law of the United Arab Emirates. Various treatises on U.S. and international company law and three relevant reports produced by USAID contractors were also consulted. Lastly, input was solicited during the drafting of recommendations from members of the practicing bar, supervisory officials within the Office of the Controller, and members of the private sector with the objective of ensuring that these recommendations comported with Jordan's practical and political realities.

The practical limitations of the assignment have forced this report to be both narrower and less detailed than would have been optimal. Clearly, with 321 articles, the Law is too lengthy and requires simplification and removal of many provisions more logically included in securities, commercial, and foreign investment laws. For example, care should be exerted on the relationship of the registration of a Foreign Company Operating in the Kingdom (*Article 275*) and the revised foreign investment law. Also, the framework for a revised securities law is evolving and the drafting team should take appropriate consideration of the relationship between its work and the revisions to the Company Law.

This author is of the view that the enactment of a securities law will so radically alter the current (and revised) Companies Law that replacement, rather than amendatory, legislation will be required. In the interim, however, it is recommended, with some practical deletions, that the current Law's detailed format be retained. While the "guts" of such laws in the United States and the United Kingdom are in implementing regulations and administrative interpretations, such express detail has two advantages. First, it lends transparency to the company registration process, particularly for the unfamiliar foreign investor. Second, the current administrative capacity of those governmental institutions who would promulgate and interpret the regulations is limited.

Analysis

As mentioned above, the Companies Law of 1989 is currently undergoing revision by an ad hoc Committee appointed by the Ministry and includes government officials, representatives from finance, accounting, auditing, and academic professions.

The committee drafting the revisions of the Companies Law, however, does not include representatives of the practicing bar who deal with the imperfections of the company registration process on a day-to-day basis. This oversight is indicative of a lack of trust between the bar and the government. This exclusion is also impractical as the process does not benefit, (as has been the case in the United States in the drafting of the model codes cited throughout this report), from the invaluable insight that practitioners can provide. A number of the most respected practitioners have agreed to form a companies committee within the Jordanian Bar Association and it is my strong recommendation that USAID support this effort and exert its considerable influence on the government to cooperate fully.

The Companies Law drafting committee will render its findings to the Minister of Industry and Trade for submission to the next session of Parliament. Concomitant with this process has been a parallel

redrafting of Jordan's foreign investment laws (which was not made available to the author). It is the objective of the government to complete these revisions by the Amman Summit in October.

In response to a request by USAID, the recommendations are categorized by whether they can be implemented in either the short- or long-term.

The Registration Process

The Company registration process is a frequent target of criticism by Jordan's private sector. It is laden with unnecessary bureaucratic requirements that pervade the relationship between the public and private sector in Jordan. These requirements occupy the valuable time and energy of government officials, lawyers and registrants and impede the natural evolution of enterprise development in Jordan. Second, the registration process is fraught with qualitative, and less than transparent, determinations of a registrant's submissions.

Although the registration procedures for all types of companies in Jordan have been reviewed, the focus is on the particular problems associated with general partnerships, limited liability companies, and public share companies, as these three categories comprise over 40,000 business enterprises representing the vast majority of registrations in Jordan. As an example of the frustrations which registrants frequently encounter, two flow charts of the registration process for limited liability companies were developed. The first of these charts is an analysis of how the system should work and the second, a worst case scenario of how it frequently works. While the Controller has made the process more efficient through a number of needed administrative changes, especially through delegation of decision making, the process is still cumbersome and unpredictable.

The major recommendations to improve the registration process include the following:

- Liberalize the signature requirements for general partners, limited partners, and promoters of public shareholding companies. A certified representative or an applicant's lawyer should be empowered to execute all necessary documents. This simple measure would circumvent the unneeded precaution of having each principal execute the necessary documentation in the presence of the Controller or his designate. In the instance of general partnerships, it is suggested that partners be able to execute documents before any "competent authority", such as the police or other local government office (*Articles 11a, 57, and 91*). This measure should be implementable in the short term.
- Introduce greater flexibility in the number of partners allowed for both general partnerships (currently 20) and limited liability companies (currently 50). Such increase may speed the development of professional services partnerships in law, accounting, and medicine. These are areas that can achieve significant expansion in Jordan, due to the Kingdom's rich human resource base (*Article 9*). This measure should be implementable in the short term.

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- Reduce minimal capitalization requirements for limited liability companies and public shareholding companies from present levels of JD 30,000 and JD 100,000 to JD 2,500 and JD 5,000, respectively. While these high levels were established to protect creditors and third parties (i.e., consumers) from illiquid companies, creditors are still able to protect themselves by requiring securitization, personal guarantees, or other protection. Consumers can be similarly protected by requiring either the posting of bonds or other guarantees or the establishment of higher capitalization levels (as is the case with banks and insurance companies) for those activities which involve special risks to the general public (*Articles 54 and 98*). It is recommended that capitalization levels be reduced, at least for LLCs in the short run.

- Liberalize name usage. For limited liability companies it is recommended that the English method of allowing personal names be utilized, so long as the LLC distinction (or some variant) is included in company advertising and stationery. The ability to use personal names for LLCs will allow greater flexibility in name selection and allow transforming partnerships to maintain commercial name recognition. In public shareholding companies it is also recommended that the use of foreign language names in trademark and copyright cases be allowed (as well as name reservation procedures) to add clarity to the murky practice of name and trademark usage in Jordan (*Articles 55 and 90*). Name liberalization modification should be implemented in the short run.

- Eliminate approvals from other ministries as a pre-condition of company registration -- with a notice to applicants that registration does not necessarily qualify the registrant to operate in certain activities (and perhaps providing notice to the other Ministry as well). The current practice unnecessarily delays registration as the Controller is required to write a letter to the relevant Ministry informing it that the applicant has applied to form a partnership or company. That Ministry must review the letter and the applicant must comply with its requirements before its application for registration is granted by the Controller (*Articles 11 and 59*). This recommendation could be implemented via either statutory or procedural change, and therefore, should be a short term measure.

- Reduce share capital statements and banking information required from limited liability and public shareholding companies. It is recommended that simplified in-kind share valuation procedures, especially for limited liability companies (whereby an auditor or accountant submits to the Controller financial information prepared in accordance with generally accepted auditing or accounting principles) be utilized (*Article 58*). This recommendation should be the product of consultation with the various professional associations involved and, therefore, should be a medium-term measure.

- Eliminate articles of association (by-laws) to be filed by general partnerships and limited liability companies. As a general matter, these are not required to be filed in U.S. jurisdictions as they are detailed internal management matters and are of secondary authority to the memorandum which is filed. Due to the uneven disclosure standards however, the deletion of the requirement of filing articles of association for

public shareholding companies has not been recommended (*Articles 11, 57 and 95*). This change is likely to be a medium-term measure.

- Eliminate the requisite approval by the Minister of the objectives of limited liability companies unless such objectives violate Jordanian law. The feasibility study requirement for public shareholding companies with statement of objectives subject to lawfulness and strictly construed public policy considerations should be replaced. This information should ideally be contained in a prospectus issued by the public shareholding company pursuant to a public offering (*Articles 58 and 95*). This recommendation is a medium- to long-term measure.
- Simplify the selection, delegation, and operational criteria of the Issuing Committee with regards to share pricing and other determinations. A recent USAID consultancy has provided extensive commentary on the role of the Issuing Committee which was created with the laudable objective of providing needed oversight on public shareholding companies. The objective of this assignment has been to improve rather than replace the Issuing Committee. For example, in those instances where the Issuing Committee does not render its determinations in a timely manner, the valuation established by the issuer will be determinative. Ideally, share pricing should not be fixed at a nominal value of JD 1, but rather, be a product of the underwriting agreement. This will also simplify and strengthen the Controller's role in this process (*Articles 93, 94, 135 and 136*). While some improvements to the Issuing Committee can be made in the short-term, the larger issue of securities regulation is a long-term proposition requiring careful analysis.
- Reduce the mandatory number of public shareholding company directors from seven to three, at least for those companies with capitalizations below JD 100,000. This measure will reduce the cumbersome compliance requirements for small enterprises and should be implemented in the short-term.
- Simple extra-legal recommendations have been proffered such as improved in-take processing, the establishment of a cashier and legal counsel within the Controller's office, and the introduction of computerized filing and processing capability. These improvements would greatly speed the registration process. These are discussed at some length in the report and many, if not all, of the measures could be made in the short term.

The Role of the Controller

The Controller's current role is a hybrid of a secretary of state and securities commissioner. Moreover, due to myriad approval requirements, those typical for autonomy is severely constrained. Notwithstanding these limitations, the Controller and his staff exert near heroic levels of effort in guiding registrants through this arcane labyrinth.

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As a practical matter, the Controller's relationship with the Minister, the Council of Ministers, and the Issuing Committee is based upon cooperation and trust whereby his decisions are usually adopted without substantial revision by higher authorities. Nonetheless, the registration process will be best served if the Controller is given either absolute or, at least significantly greater, autonomy. Despite the multiple criticisms of the registration process, the vast majority of commentators have shared the objective of increased autonomy for the Controller. The Controller's present role is part ticket taker (in his registration capacity) and part referee (in his regulatory capacity) and this latter responsibility should be reduced.

In the detailed recommendations, on this issue, the Controller's guidance was followed by favoring a hybrid approach. This approval empowers the Controller to make the vast majority of decisions unilaterally. Only matters involving large public shareholding companies will be referred to higher authorities, and the Controller will provide a recommendation on the optimal approach in these matters. Future revisions to the Law should consider the creation of a wholly autonomous Controller with similar authority as U.S. Secretaries of State or Commissioners or Registrars of Companies in other, mostly Commonwealth, countries.

As the current revenue stream of the Controller's office is through registration fees typically received by U.S. statements of incorporation, it is suggested that the Controller receive modest annual franchise fees from all registrants in order for the office to become better staffed and modernized. These fees would range from: JD 20 for partnerships; to JD 100 for limited liability companies; and up to JD 500 for the larger public shareholding companies. This revenue stream could be devoted to modernization of the current record keeping system, staff training (a frequent request by staff), and the development of other administrative improvements. The political viability of this proposal is unclear, but discussions with the private sector encountered little opposition as long as the increased costs resulted in improved practices and procedures.

A final administrative observation will be made on the vulnerability of company records in the Controller's office. Not only is the filing system arcane, but there is no back-up, either microfiche or computer disk, and Jordan's entire company record keeping system could disappear in a fire (a distinct possibility given the pervasiveness of cigarette smoking).

Detailed recommendations are as follows:

- Empower the Controller to be the final decision maker directly or through delegation with all matters involving general partnerships and limited liability companies. The present system requires Ministerial approval on the most mundane of matters and as this is essentially a "rubber stamp" process it unnecessarily adds a step to the process. Therefore it is recommended that the Controller's decisions be the final administrative action, and any appeals of the Controller's determinations should be to the Minister (*Articles 9 to 89*). These measures can be implemented in the short term.

- Empower the Controller to be the final decision maker in all registration decisions involving public shareholding companies with capitalization levels of JD 100,000 or below (*Article 97*). In those matters above JD 100,000 it is recommended language

that the Controller's decision be determinative when the Minister fails to act within 30 days. These suggestions obviously entail discussion and debate at high levels of government but because of the universality of support for a more autonomous Controller, it is expected that significant revisions can occur in the medium-term.

- Strengthen the role of the Controller as chairman of the Issuing Committee (*Articles 93, 94, 135, and 136*). This can be accomplished by:
 - (i) appointing the Controller as chair of a smaller Issuing Committee;
 - (ii) limiting the scope of valuation determinations made by the Issuing Committee; and,
 - (iii) providing for the delegation of authority by governmental members of the Issuing Committee should there be no alteration in its size. These recommendations could probably not be implemented before the medium-term.
- Empower the Controller to appoint independent auditors or arbitrators to examine over-subscriptions and capital decreases, conduct extraordinary shareholder meetings, and resolve shareholder disputes. These measures would reduce the Controller's direct involvement in the functions without reducing the supervisory role (*Articles 111, 118, 119, and 140*). Medium-term implementation of this recommendation is possible.
- Empower the Controller to call extraordinary meetings for public shareholding companies under the supervision of a neutral lawyer (*Article 193*). Reduce the Controller's direct supervision of both ordinary and extraordinary General Assembly meetings (*Article 197*) in favor of a system whereby the Controller is empowered to attend such meetings. These recommendations should be targeted for medium- to long-term implementation.
- Simplify the Controller's role in the valuation of in-kind shares for limited liability and public shareholding companies (*Articles 57, 95 and 131*). Three suggestions on how the valuation process can be improved are provided and medium-term implementation is possible.
- Grant greater decision making authority and flexibility for the Controller in the approval of capital decreases, mergers, transformations, and foreign and regional office registrations (*Various Articles*). This recommendation is for a medium- to long-term implementation schedule.
- Grant greater authority for the Controller to appoint independent auditors and to mandate company action through subpoena and court order. Many comments were received regarding the limited authority of the Controller to compel a recalcitrant company (and its directors and officers) to comply with the Company Law (*Article 138*). Long-term implementation of this recommendation is proposed.

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- Simplify the Controller's scope of review of Statements of Purpose by limited liability companies and feasibility studies by public shareholding companies (*Article 91*). Medium- to long-term implementation schedule is recommended.
- Empower the Controller to appoint provisional and administrative boards, and remove inadequate directors (*Articles 195 and 196*). Medium-term implementation of this recommendation is possible.

General Recommendations

It is beyond the scope of this assignment to delve into the multiple imperfections of this legislation but a few general comments are offered. Please note that these recommendations are based upon a review of modern company law and practice in the United States and detailed discussions with interviewees. Therefore, they are provided as mere drafting suggestions rather than specific guidelines.

First, the level of company control established by the Companies Law is a bar to natural enterprise development and economic diversification in Jordan. Moreover, it demonstrates a level of suspicion inappropriate in this era of free market reform. Small partnerships and limited liability companies should be allowed to conduct themselves without the high degree of scrutiny which the current Law imposes. By allowing small businesses to operate in a less cumbersome environment, yet still clearly notifying them of their responsibilities, will encourage more enterprises to enter the formal economy. Of course, unless complementary changes are made in tax, customs, and commercial laws, the liberalization of the Companies Law will not be sufficient to encourage business to formalize.

Second, the difficulties in the registration of both domestic and foreign companies and the costly compliance requirements imposed, many of which are less than transparent, will undermine the confidence of foreign investors seeking to take advantage of Jordan as a base for regional and domestic operations.

Detailed recommendations include:

- Allow the development of sole partnerships, limited liability professional partnerships, and tax exempt organizations which are not currently allowed under the Companies Law (*Article 6*). Further clarifications should be made on the relationship of the Companies Law to civil companies (which should fall under the Law's scope). Medium-term implementation of this recommendation is possible.
- Allow government-owned enterprises and general partnerships to become public shareholding companies without the current requirement of creating an interim entity (*Article 8*). Such facilitation will speed the privatization process and will require long-term implementation.
- Grant general partnerships greater freedom to govern their internal affairs through the partnership agreement rather than through statutory mandates. As such succession

of deceased partners interests, purchase of a selling partners shares, and dissolution will be facilitated. When the partnership agreement does not provide for these matters, then statutory minimums could be imposed (*Article 10*). Medium- to long-term implementation is recommended.

- Clarify personal liability language for partnership agreements and recommend that personal liability notice provisions be included in all partnership applications (*Article 11*). This will result in a greater understanding of the rights and responsibilities of these often informal arrangements. Medium-term implementation is proposed.
- Allow registered agent and agent address to be utilized for limited liability and public shareholding companies to facilitate the registration process. The absence of this kind of provision is a frequent complaint by members of the practicing bar (*Articles 57 and 95*). Consideration might be given imposing such requirements on general partnerships above a certain size. Short-term implementation is recommended.
- Introduce more flexible voting procedures, shareholder and partner meeting requirement, and management procedures for limited liability and public shareholding companies (*Various Articles*). When the memorandum or articles of association does not address such issues, then statutory minimums can be required. Long-term implementation is proposed.
- Introduce auditing and accounting standards for annual report submissions by limited liability and public shareholding companies. These measures should be implemented in consultation with these respective professions over the medium-term.
- Introduce liability language for pre-incorporation acts by promoters and founders of limited liability and public shareholding companies. This act would force promoters and incorporators to exercise greater caution in their pre-incorporation activities and medium-term implementation is possible.
- Clarify directors' and officers' duty of loyalty and introduce an equitable business judgement rule modifying the present strict liability standard (*Articles 176, 185, and 187*). Allowing directors and officers to make good faith business decisions will foster greater flexibility and independence and result in greater efficiency in business operations. Short-term implementation is recommended.
- Allow franchises to assume limited liability company forms rather than the current restriction that they organize as public shareholding companies (*Article 96*). While franchise agreements are the source of much litigation in the United States, they can be a useful device in the formation of small business ventures, especially restaurants. Medium-term implementation is proposed.
- Limit government review of agreements between issues and underwriters and introduce more flexible minimum and maximum shareholding requirements for

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promoters (*Article 102*). Thought should also be given to the limitations and publication of insider sales. Long-term implementation is recommended.

- Reduce taxation of voluntary capitalization increases as the current system of taxation can be especially severe to small shareholders. Limit authority of government to compel action without the approval of shareholders (*Article 138*). The current unilateral provisions are seen as especially harsh by foreign investors. Long-term implementation is proposed.
- Reduce the required number of board meetings from six to four per year, except for large public shareholding companies (*Article 183*). Short-term implementation is recommended.
- Introduce the remedial protection afforded shareholders and creditors through the creation of receivership, or Chapter 11 procedures (*Articles 287 to 307*). The current Companies Law leaves few options for the financially distressed company to protect itself from creditors and restructure. As these matters necessarily involve coordination with the Commercial Law and the courts, this is a long-term measure.

Section by Section Analysis and Recommendations

Partnerships

Article 5 - Modify paragraph (b) to allow for appeals of name determinations to the Controller (authority currently rests with the Ministry), whose decision would be final. This would accelerate the appeals process. Having a legal counsel within the Controller's office would aid in the Controller's determinations on the legality of proposed company names..

Article 6 - Add sole proprietorships and non-profit operations (tax-exempt or charitable organizations) to the list of company types which can be formed under the Law (for reasons to be explained latter). Under U.S. Law (Section 501 (c) of the Internal Revenue Code), non-profit organizations have corporate personality and can sue and be sued.

Article 7 - Civil companies should be required to be registered under the Law. The current practice of notifying the Controller of "free zone" companies organized under separate statutory provisions should be specifically mentioned.

Article 8 - Paragraph (a) requires the creation of an interim public share company before the shares of any 100 percent government-owned entity can be sold to the public. Additionally, paragraph (b) directs the Council of Ministers to appoint a Chairman, Board of Directors and General Manager before shares can be sold to the public. If public policy objectives are to allow for the efficacious privatization of these companies, the company should be allowed to submit its application to sell shares to the public, as with non-governmental PSCs, and require that those shareholders elect the Chairman, Board of Directors and General Manager in the statutory period as referenced in paragraph (b). In effect, the government would serve the same role as incorporators or promoters of private sector entities.

Article 9 - The upper limit of twenty partners may impose a barrier to the healthy growth of professional partnerships in Jordan. While it is unlikely that these professional organizations would grow to the size of partnerships found in the United Kingdom and the United States (where partnerships with over 1,000 partners are found), many jurisdictions with less advanced economies than Jordan (eg., Kenya and Nigeria) have partnerships of forty or more partners. Consideration should be given to adopting the section (6) (1) of the U.S. Uniform Partnership Act's (UPA) language of:

A partnership is an association of two or more persons to carry on as co-owners of a business for profit.

A compromise provision would be to raise the number of partners to fifty or exempt professional partnerships from the present numerical limitation altogether.

Article 10 - The provision in paragraph (c) allowing the Minister, at the recommendation of the Controller, to allow for the continuation of a partnership name by legal heirs in the event of the death of all of its partners should be modified to allow the Controller to render this decision. In professional

partnerships, this right of transfer should only occur with the consent of all of the partners even if not provided in the partnership agreement.

Article 11 (a) - The signature provisions in paragraph (a) requiring the application for registration and the partnership agreement to be signed by all the partners in the presence of the Controller or his delegate (or a notary public) has been frequently criticized as an unnecessary formality. The paragraph should allow for the attorney of the partnership to affirm in writing that the signatures he or she has obtained are genuine representations. In the U.S., (Uniform Partnership Act (9) (1)), each partner in a general partnership has the power to bind the partnership although this can be limited by contract. For clarity, item (7) might be modified to require notification be sent to the Controller only in the event when not all of the partners are empowered to sign on behalf of the partnership.

Article 11 (a) (1) - Frequent criticism was received on the use of "Title" of the partnership as creating confusion among applicants who are prone to provide the address in response. "Name" should be substituted for title in the English version of the Law.

Article 11 (b) - The objective of this provision is to allow enterprises to form freely. The Controller should merely register the partnership application and limit the review as to whether the submission is contrary to law. If there are, however, public policy reasons for the Controller to retain this power, then his determination should only be appealed to the Higher Court. Comments were received on the frequent lack of understanding of partners of the extent of personal liability that is imposed for partnership obligations. Thought might be given to placing a notice on personal liability risks undertaken in a partnership and strengthening the language in the Law on this topic.

Article 12 - Partnerships should be required to submit only changes in partnership form to the Controller rather than having the latter "enter" those changes into the register. Any party should be able to access the publicly filed information on the partnership without the approval of the Controller. Alternatively, the request should be freely granted unless the Controller objects within a short period of receipt of the information request for public policy reasons.

Articles 13 and 14 - Strictly read, the Controller retains the right to deny name or partnership agreement changes. This power should be limited. Instead, the Controller should simply record such events unless the Controller objects within a period such as fifteen days. The Controller may also wish to have delegation power. Also, the signature of a partner who represents the partnership before the Controller should be sufficient.

Article 17 (a) - Under UPA (18) (a) (f), partners ordinarily do not receive salaries, however, the provision requiring unanimous consent of all partners before any partner can receive remuneration or wages could unduly limit the partnership. Under the UPA, "ordinary matters connected with the partnership business" are decided by a majority of the partners where matters outside the normal scope of the partnerships business (purchasing unrelated assets for example) are decided unanimously. It can be argued that the establishment of a managing partner's salary is within the partnership's scope of business.

Article 19 - This appears to be an overly detailed exposition of the duty of loyalty obligations by the person managing the partnership. This change is unnecessary. If the manager is a partner, he

already has a fiduciary obligation to his partners and can be held accountable to them for any breach thereof. In those other instances where there is a non-partner manager, other laws forbid wrongful acts which can be addressed in the courts.

Article 20 - If the dismissal of a managing partner from his management capacity (and not the partnership itself) can be considered as within the scope of the partnership, then the unanimity standard may be overly restrictive.

Article 21 - Again, owing to the fiduciary obligation of partners toward each other, the language here is duplicative and unnecessary.

Article 23 - This states that a single partner can move to expel a partner before submitting the matter to his partners for their decision. This unilateral power implies that the reasons would be for a violation of the accused partner's fiduciary obligations to the partnership and not to the individual partner moving for the action. This may be legalistic splitting hairs, but consideration might be made of adopting a majority vote before moving for removal. Section 31 of the UPA allows the partnership agreement to contain provisions for expulsion of a partner without dissolution of the partnership.

Article 25 - This provision is overly broad. The actions of a manager should only bind the partnership if those actions were in the course of the partnership's business. Otherwise, the scope of liability is overly broad.

Article 30 - Two comments were made regarding the situation which occurs when at least one of the deceased partner's heirs is a minor. Rather than mandatorily transform the partnership into a limited partnership (in contravention of the interests of that partnership), a provision should be inserted whereby a trust relationship is created for the minor by those heirs who are competent, subject to the approval of the partnership.

RECOMMENDATION - Add the following sentence to *Article 30*:

If at least one of the partner's heirs is incompetent, the competent heirs shall hold that heir's interest in trust, subject to the unanimous approval of the partners.

Article 32 - Under Section 31 (a) of the UPA, a partner can move to dissolve a partnership even when such action is in contravention of the partnership agreement. This is based upon the principle that the relation of partners is one of agency and the right of a partner to terminate the relationship is respected in U.S. courts (official comment of Uniform Partnership Act). A reasonable period of time should be granted to a surviving partner to find a replacement partner. This period could be between 30 and 90 days, so long as the partnership is liquid. If the partnership is illiquid, then a limitation might be imposed to bar the surviving partner from incurring additional liabilities in the partnership's name unless with the express written consent of the creditor.

Article 33 - Section 32 of the Uniform Partnership Act (1) (c) permits the courts to dissolve the partnership when "a partner has been guilty of such conduct as tends to effect prejudicially the

carrying out of the business". This could result from an act of a partner which is unrelated to the partnership's business but is of such magnitude that it impairs the partnership's continuance. As in *Article 32*, due to the agency nature of partnerships, the U.S. courts would not move to reform the partnership in the event of any of the causes for dissolution cited herein.

Article 37 - Specificity is needed to determine to whom a violating liquidator will be liable and under what authority.

COMMENT: The evolution of a professional partnership offering limited liability has become popular in the United States over the past several years. This partnership form allows a partner to shield his personal assets from actions by third parties when that partner has no involvement with the negligent actions of the responsible partner. Of course, the assets of the partnership would be available to satisfy the judgement creditor so the uninvolved partner is not without liability.

Articles 41 to 48 - This limited partnership form has not been used extensively in Jordan. While the current law follows the bare essentials, it is scant in comparison to the U.S. versions. As the consultant was not asked to focus on this area, the Uniform Limited Partnership Act has been provided to the Controller for future reference. A few drafting recommendations, however, should be noted. First, the reference in *Article 48* to general partnership provisions governing the inheritance of a limited partner's interest by his heirs is inaccurate. This reference is flawed as under the governing general partnership provisions (*Article 30*) those interests are transformed into a limited partner's shares. A limited partnership interest cannot be created from another. Second, in *Article 45*, notice of the election of a new general partner should be required to be sent to all limited partners. Last, as per earlier suggestions, consideration might be given to adding a personal liability warning to the application.

Articles 49 to 52 - As joint ventures do not enjoy their separate corporate identity in Jordanian law, it is suggested that these provisions be removed from the Companies Law and placed in the Commercial Law or foreign investment legislation where flexible joint venture laws are of major importance to the foreign investor. However, the Law's reference to their existence is as acceptable.

Limited Liability Companies

Substantive Comments

As a general matter, U.S. law divides corporate forms into partnerships (limited and general) and corporations (close, not for profit, and public). Consideration should be given to adopting these distinctions as the current Companies Law has confusing features of both partnership and corporate law. Moreover, as a drafting tool, consideration should be given to including a definitions section to the Law.

Article 53 - The numerical upper limit of ownership creates the possibility of an unknowing change in status which would violate the LLC form and potentially expose unwitting partners to liability (Model Statutory Close Corp. Statute).

RECOMMENDATION: Allow for a clause that permits a number greater than 50 partners for a period of time (30 or 60 days) with notice to the Controller's office and a clause that the liability of individual partners will not be effected for merely exceeding this number.

Article 54 - The JD 30,000 requirement is excessively high under any standard. LLCs are usually small ventures and their formation (and formalization) should be encouraged. In the United States, 40 out of 50 states have eliminated capitalization requirements. The current Jordanian Companies Law does not take account of the specific needs of the business and certainly does a disservice to smaller enterprises. On the issue of protecting the interests of creditors, two issues arise. First, a creditor can require audited financial statements before granting credit to a LLC, require a personal guarantee from the "partners", or suppliers could obtain a purchase money (secured) interest in the goods or equipment they supplied allowing replevin (repossession) upon default (and before liquidation). Second, there is no protection from the partners borrowing capital from a third party and then depositing it in a bank to receive the needed authorization. Once registration has been completed this creditor might have a priority over any subsequent creditor should be LLC be dissolved.

RECOMMENDATION: Either eliminate or substantially reduce (to JD 2,500) the minimum capitalization requirement.

Article 55 - The current system of disallowing the use of personal names for LLCs has been viewed by several commentators as unduly restrictive and has created a shortage of acceptable Arabic names. Since the purpose is to put third parties on notice that they cannot reach the individual assets of the "partners" (absent conduct which abuses the "corporate veil"), then the requirement of printing "Limited Liability Company" (or an equivalent) on the firm's stationery, advertising and other publicly disseminated documentation should satisfy the objective of due notice. The stated capital requirement is inflexible and costly (eg; stationary). Perhaps an alternative would be to state capitalization "not less than" Last, at least one commentator suggested that non-Arabic names be registerable names, especially for those LLCs who are licensees for known trademarks (e.g., Microsoft).

RECOMMENDATION: Revise to include that any name is acceptable (providing not already in use, deceptively similar to one in use, nor implying that the entity is conducting itself in an unlawful manner) so long as followed by "Limited Liability". [Capitalization should be listed as "not less than" a certain figure.] Non-Arabic names should be permitted when indicating a trademark in which the LLC has rights.

Article 57 (a) - The requirement of signature in the presence of the Controller (or his designate) is overly restrictive. A lawyer representing the LLC, or a partner representing the other partners of the LLC, should be allowed to present the written and notarized affidavit of each of the shareholders. As notaries are functionaries of the government, perhaps a lower standard, such as "affirmed by competent authority" would suffice. The U.S. Model Business Corporation Act even eliminates requirements that documents be verified or acknowledged; the person executing a document must

simply designate the capacity in which he or she signs. One exact copy of the executed document must be filed with the document; the secretary of state attaches the fee receipt or acknowledgement of receipt to the copy and returns it to the filing party.

RECOMMENDATION: Eliminate the statutory signature in the presence of the Controller and allow for either a lawyer or a representative partner to submit the affidavit (notarized or affirmed by competent authority) of each partner.

Article 57 (b) (1) - "Head office" is not sufficiently clear and may create confusion to a third party wishing to serve a LLC when the headquarters of the firm and the site of its main operations. Moreover, in the United States, companies may appoint a lawyer (or even the secretary of state in the state of incorporation) to receive service of process. The problem of serving a LLC has been mentioned as being unduly problematic by several members of the Jordanian Bar.

RECOMMENDATION: In item one, substitute the following after "objectives": "and the street address of the company's initial registered office and the name of its initial registered agent at that office". (from Revised Model Business Corporation Act). It could be added that this agent can be an attorney representing the firm.

Article 57 (b) (4) - Apart from the registered office and agent suggestion mentioned above, the first three items are reasonable requests for information from the applicant. Item four's requirement on the valuation of in-kind shares requires an accounting analysis and could represent a barrier to many registrants. In most U.S. statutes the minimum requirement is to provide the number of shares authorized. Greek law requires the applicant to provide the kind, number, nominal value, and the issue of the shares. The law of the United Arab Emirates requires the applicant to supply the amount of capital, the share of each partner, the equity shares and their value, and the names of their holders where applicable. As the interest here is to protect shareholders from overvaluation of incorporator's shares, then a reasonable approach (Section 10 of Model Statute for Close Corporations Supplement) may be to require that copies of the company's memorandum, articles of association, shareholders' agreements, and other documents, any of which may restrict transfers and affect voting rights and other rights, may be obtained by a shareholder on written request to the corporation.

RECOMMENDATION: Substitute item four with:

"The securities the LLC has authorized". See suggested modification on public documentation.

Article 57 (b) (5) - The "any other data the Controller may request" is a non-transparent criterion and absent in other jurisdictions. The Controller's inquiry should be limited to items one through four.

RECOMMENDATION: Item five should be substituted with:

The Controller has the right to request additional information in fulfillment of the applicant's requirements in items one through four above.

Review of Jordanian Companies Law

Article 57 (c) - The Articles of Association are a set of rules for governing the internal affairs of the LLC. They are adopted by the LLC and technically are binding only on the internal matters. They are viewed as a contract between the corporation and its shareholders, and among the shareholders themselves. In the United States, by-laws (which are the equivalent to the articles of association), are generally not filed with the secretary of state and are not a matter of public record. In the event of a conflict between the articles of association and the memorandum, the latter would govern.

RECOMMENDATION: Eliminate the requirement of providing the Articles of Association.

Article 57 - In most U.S. jurisdictions, personal liability is usually imposed upon promoters if business commenced before the company's memorandum was filed. In the interests of creditors and other third parties a notice to that effect should be placed upon the application form.

RECOMMENDATION: The following notice should appear on the approved application form:

Promoters may be held personally liable if the applicant commences business before the memorandum is filed with the Controller.

Article 58 - Paragraph one is unduly complex and again requires an assessment of the value in-kind shares discussed above. With regards to the deposit of funds, the same effect can be obtained with fewer words (using the United Emirates example). While the requirement of the Controller's valuation in paragraph two goes against the U.S. trend as noted above, the same effect could be obtained by requiring the company to produce an auditor's valuation of the value of the shares.

RECOMMENDATION: (1) Replace paragraph one with:

The amount of the share capital shall be deposited with one of the banks operating in the Kingdom which shall not hand over the money to other than the manager of the company upon submission of proof that the company has been duly registered.

(2) Replace paragraph two with:

The Company must provide the Controller with an auditor's evaluation of the value of shares, including shares in kind. The Controller shall not issue his recommendation (see below) until such information is received.

Article 59 (a) - This Article presents two problems. First, the Controller should be empowered with making the final determination on the application. With over 700 applications per year, the process should be more of a registration than a screening process. Once the Controller is satisfied that the applicant has met its disclosure requirements and will not be conducting illegal or unlawful activities, then approval should be granted without requiring the motion of the Minister who has more important matters of state in which to administer. If an appellate safeguard is desired for those few applicants that object to the Controller's determination, this appeal should be through the Minister or the Higher Courts. Also, the provisions of paragraph (b) on evidencing the payment of share capital should be

combined here. If the capital contributions are substantially reduced as recommended above, then it would be reasonable to require the applicant to produce evidence that the entire sum has been deposited. This reduction in decision making will shorten the process by at least two steps. The second problem is the last clause which, in practice, requires the applicant to obtain approvals from other Ministries depending on the activity.

As the objective is to efficiently process applications, then a clause could be added notifying the applicant that the grant of the certificate of registration does not qualify it to conduct business in certain activities governed by Jordanian law.

RECOMMENDATION: Replace *Article 59* in its entirety with:

The Controller shall issue a resolution approving the registration of a Limited Liability Company once he has received the information required in *Article 57*, evidence that the entire company's capital has been deposited with a bank in the Kingdom, and is satisfied that this information does not evidence a violation of the provisions stipulated in this Law and the regulations promulgated thereunder. The grant of approval does not absolve the company from obtaining additional approvals as required under Jordanian law.

Article 60 - The U.S. model allows the shareholders of a close corporation to agree in writing to regulate the exercise of the corporate powers and manage its business and affairs of the corporation or the relationship among shareholders including the elimination or restriction of the activities of the board of directors. Emirate Law allows partners to elect management from either the partners or "others" implying that an outside officer could be elected; this allows for the hiring of expert management. While a LLC is in essence a business form that vests management with more control than in a PSC, this control is not unlimited (or "complete" as in paragraph b) in the sense that officers and directors have a fiduciary obligation to the company.

RECOMMENDATION: Add "or employees" to partners at the end of the first sentence to accommodate the election of officers. Delete "complete" in paragraph (b).

Article 61 - There is some inconsistency in language with *Article 60*. Also, "by-laws" (the U.S. variant) is used for the first time and is redundant with "articles of association" used latter in that sentence.

RECOMMENDATION: Add "or management committee" after manager and delete "by-laws".

Article 62 - The provisions on annual reports require the Controller to rely upon information that is not necessarily in accordance with any standards. As there is always the risk of management and directors (who ordinarily control the majority of the shares) abusing the LLC at the expense of minority shareholders and creditors, then a public policy reason may justify the adoption of some standard.

RECOMMENDATION: Require that the solicited information be submitted in audited form or in accordance with generally accepted auditing standards.

Article 63 - Officers and directors stand in a fiduciary relationship with the LLC and owe a duty of loyalty against self dealing. As the risk of self dealing is high in a LLC, ample safeguards should be established. A minimalist approach could be the mere citation to the common law derived standard but, as there is no cumulative body of common law from which to draw in Jordan, the current provisions could remain with the citation to the standard for those situations which do not technically fit within paragraphs (a) or (b).

RECOMMENDATION: Substitute the following for the first clause:

The manager, management committee member, and directors owe a duty of loyalty to the Limited Liability Company and shall be prohibited from undertaking any of the following actions...

Article 64 - This is an overly complex attempt to establish procedures for holding annual and extraordinary meetings. It should be simplified and allow twenty-five percent (United Emirates standard) of the shareholders to call for an extraordinary meeting unless the manager, management committee, or directors object in writing to the Controller showing cause for the objection. Comments were also received on the frequent non-responsiveness of companies to minority shareholder demands for holding extraordinary meetings. In the event of such non-compliance the Controller should be empowered to pursue one of three options:

- (1) issue an order to compel compliance within 30 days and suspend the company's registration if the order is not complied with;
- (2) direct either a subordinate or a neutral attorney to issue notices and to conduct the meeting under the supervision of the Controller and at the expense of the company; or,
- (3) file a petition with the Higher Court of Justice to compel compliance and rely on the court's power to hold non-complying officers and directors in contempt. This should provide adequate protection for the minority shareholder.

RECOMMENDATION: Replace *Article 64* in its entirety with the following:

The Annual General Assembly Meeting of the Limited Liability Company shall be held within the first three months of the company's fiscal year. It shall convene upon the written invitation (via registered mail) of the manager or management committee in accordance with the company's articles of association. Any partner shall be entitled to attend the general assembly meeting regardless of the number of shares he or she owns. He may also designate another non-director partner to represent him in the meeting and each member shall have the number of votes which equal the number of shares that he or she owns or represents. The manager, management committee, or directors may convene an extraordinary meeting of the general assembly and shall provide at least fifteen days written notice (via registered mail). Twenty-five percent of the shareholders may require the manager or

management committee to convene an extraordinary meeting of the general assembly unless the manager or management committee files an objection to the Controller showing cause for such objection. The Controller must rule on said objection within fifteen days and his decision shall be final. In the event of a company's non-compliance to a valid request by minority shareholders, the Controller shall...

Article 65 - The LLC should be allowed to establish higher voting and quorum requirements if it so desires. These are minimum statutory levels.

Article 68 - The first level of appeal for objecting to the Controller's decision to reject a creditor's objection to a capital decrease could be to the Minister and not the Higher Court of Justice although it has been countered that a Ministerial appeal would only unnecessarily delay the procedure.

Article 73 - It is unclear why priority should be given to outside parties after an appraisal of a selling partner's shares. Once the appraisal is made, the existing partners should have the first option to purchase. Also, requiring the LLC to have an appraisal conducted by "outside" auditors chosen by the Controller would be more flexible than the current three expert requirement. Partners should be provided 30 days to exercise this option before the shares could be sold to outsiders (at the offer price?).

RECOMMENDATION: Substitute "partners" for "outsiders". Replace three expert standard with outside auditors. Determine which price the outsiders should pay when their original offer is higher than the "appraisal" price.

Article 75 - Specify, the voting levels of the general assembly required to act in raising capital.

RECOMMENDATION: Add after "unless" the words: "a majority of, unless the Controller determines otherwise".

Policy and Procedural Aspects of LLC Registration

Two flow charts have been developed from myriad meetings and personal observations in an effort to describe the LLC registration process knowing that some of these observations and recommendations (e.g., signature procedures) impact other types of registrations as well. The first chart is an effort to describe the optimal registration (which includes recent improvements by the Controller); the second, a "worst case scenario". In some instances a registration can be completed in a day but, as many commentators have intimated, this process takes far too long and rewards those who have access to the appropriate decision maker over those who do not. The Controller and his staff are to be commended for the numerous improvements they have made in the processing of registration applications and the intent here is to merely illustrate the degree to which scarce public and private sector resources are devoted to what in the United States (and other countries) is a mere administrative detail completed over the telephone within minutes.

The first reason so much attention has been spent on the registration of LLCs is by processing 700 registrations per year, the Office of the Controller is severely pressed to efficiently fulfill its obligations

under the Law. Second, improvements in the legislation governing LLCs is not enough, sizeable efficiencies can be derived by instituting simple procedural and administrative measures to reduce the time and resources of both the Controller's Office and the private sector applicants. Third, by having a recurrent budget derived from the payment of reasonable annual franchise fees, the Controller can begin to modernize the entire operation. Primary observations and recommendations are:

CONTROLLER'S AUTHORITY - The registration process requires the approval of the Minister for each applicant. While the Minister has delegated this responsibility to an Undersecretary, it is recommended that the Controller be the highest decision making level for all matters involving LLCs; with appeals sent to the Higher Court. Of course, in accordance with the normal performance of his duties, the Controller may consult the Minister on policy matters arising in the registration process.

BUDGET - In order to become financially independent, the Controller's office should be able to collect annual fees from businesses. In virtually all jurisdictions, companies are required to pay an annual fee for the privilege of doing business independent of income and other tax assessments. By assessing each partnership, LLC, and PSC, annual franchise fees of JD 20, JD 100, and JD 250, respectively, would yield over JD 700,000 per year of additional revenue for the Office of the Controller. This sum could be used for staff training, computerized filing, and the addition of a legal counsel position.

SIGNATURES - Recommendations proposed to *Article 57* would permit a lawyer to execute the necessary documents for clients.

SUBSTANTIVE MINISTERIAL REVIEW - Recommended revisions to *Article 59* would allow the registration of companies without first obtaining another ministry's approval; however, this does not absolve it from other needed approvals to conduct business in certain (regulated) areas. This suggestion will remove the need for the Controller and the relevant Ministry from exchanging letters on the applicant's status.

NAME CHECKS - The ability of LLCs to adopt personal names so long as the limitation of their liability is stated on their correspondence and advertising will greatly increase the pool of names available to applicants and allow partnerships to be transformed into LLCs and retain their trade name.

INFORMATION PROCESSING - It has been observed that ninety percent of the individuals entering the Controller's office have questions which pertain to the sufficiency of their application. Because these inquiries are not dealt with as they first enter the system, executive and junior staff are besieged with routine questions. The establishment of an information office for intake processing should allow the Controller's office to concentrate on more important matters.

CASHIER - The long lines that registrants encounter at the Ministry cashier could be avoided by authorizing the establishment of a cashier within the Controller's office.

Table 2.1: Limited Liability Companies Flow Chart

BEST CASE

- STEP 1:** Applicant obtains application form
- STEP 2:** Applicant fills the form and takes it to an attorney for review and signature (not in law but a rule promulgated by the bar and the KOJ)
- STEP 3:** Application and memorandum of association is presented to Manager of Contracts within the Controller's office
- STEP 4:** The Manager of Contracts refers matter to junior officer for review of Article 57 information
- STEP 5:** The file is sent to a Ministry employee for name check
- STEP 6:** File sent to the Manager of Contracts who reviews and recommends application to Controller
- STEP 7:** Controller reviews file and issues recommendation to Ministry Undersecretary (designated)
- STEP 8:** Undersecretary makes determination and, if approved, sends the file back to Controller
- STEP 9:** Controller refers file to certificate office
- STEP 10:** Applicant presents bank letter to certificate office and receives invoice for registration fee (JD 5) and publication
- STEP 11:** Applicant pays Ministry cashier (long lines)
- STEP 12:** Applicant presents receipt from cashier and obtains registration serial number and certificate
- STEP 13:** Applicant obtains Ministry stamp certifying completion of process

WORST CASE

- STEP 1:** Two to fifty shareholders (S/H) decide to form a LLC. Need to raise JD 15,000 or 50 percent of required capitalization with residual to be supplied over two years
- STEP 2:** Obtain and complete application form which contains suggested by-laws including amendable provisions for the nomination of a general manager or management committee, general assembly provisions, and share subscriptions
- STEP 3:** Have application form stamped at Controller's office. Application is registered in book as in-coming application. File is created and a file number is assigned (this number is cancelled when certificate of registration is issued)
- STEP 4:** Contracts Manager reviews application for completion, especially for need of clearance by substantive Ministry
- STEP 5:** If another ministerial clearance is needed (usual case) an office within the Controller's Office prepares a letter to the respective ministry requesting information and a copy is left in the file. This letter is sent via governmental mail or is hand carried by the applicant (or its attorney) if they have "connections"
- STEP 6:** Once clearance has been obtained, it is mailed (or hand carried as in # 5) to Controller and placed in file
- STEP 7:** File is retrieved by applicant from file room (no mean task given the informal filing system in place) and presented to the Manager of Contracts who refers the matter to a junior officer to determine whether all documents are in order. All (up to fifty) S/Hs must sign the registration in front of a junior officer or a notary public (who is a government official). Then junior officer issues recommendation for registration by signing the file
- STEP 8:** Manager of Contracts receives recommendation of junior officer and issues recommendation to Controller
- STEP 9:** Controller makes recommendation and transfers file to Minister's Office. Undersecretary reviews file and makes another recommendation to Minister
- STEP 10:** Minister issues approval, signs registration and returns the file to the Controller

- STEP 11:** Controller refers the LLC name to the Company and Establishment Departments which indicate clearance by signing the file
- STEP 12:** Controller receives the file and, once again, refers the file to the Manager of Contracts
- STEP 13:** Contracts Manager refers the file to Controller's Administrative Officer who issues an invoice for registration fee
- STEP 14:** Applicant goes to the Ministry cashier (long lines) and renders payment and receives two copies of receipt
- STEP 15:** Applicant returns to the Controller's Administrative Officer who collects one copy of receipt and requests the production of bank certification that capital subscription funds have been established
- STEP 16:** Applicant goes to bank to get fund certification
- STEP 17:** Upon presentation of bank certification, the Administrative Officer prepares a certificate of registration and refers to the Controller for signature
- STEP 18:** Applicant goes to the registration room where a registration number is assigned from the registration book
- STEP 19:** Applicant goes to an Administrative Officer to review Ministry stamp on certificate
- STEP 20:** Although the LLC has been created it must show that it has conformed with statutory requirements by showing minutes of first general assembly meeting and information on authorized officers
- STEP 21:** LLC presents this information to the Auditing Department to facilitate authorized signature letter
- STEP 22:** Controller signs the authorized signature letter
- STEP 23:** The LLC may now transact business

Chapter 3

Public Shareholding Company

Introduction

The provisions governing the formation and registration of PSCs in the Jordanian Companies Law are a merger of the laws of corporations and securities law in the United States and Europe. The Controller and the Issuing Committee (see discussion following) were created to ensure some regulation over a very thinly traded and uncomfortably close-knit market. On top of this is the added overlay of the Amman Financial Market (AFM) and its laws and regulations governing the sale and trading of securities in Jordan. It is not within the scope of this assignment to opine upon or apportion the Kingdom's political decision making process but in the opinion of many interviewees, the end result has been murky and potentially explosive.

After a discussion on the differing roles of corporate registration and securities regulation, this chapter will examine the specific characteristics of PSC formation and registration. The Chapter then reviews the provisions of the law, especially pertaining to the authority of the Controller and the registration process itself.

General Comments

The role of the Controller needs to be clarified and transformed into an enabling administrative role and not be burdened with its present regulatory functions. The major protection to investors, creditors, employees, customers, and the general public must come from unified securities law and regulations. Further attempts to strengthen the Companies Act and the role of the Controller in an effort to regulate the issuance and trading of securities may impair the formation of public share companies and the many benefits they provide Jordan's economy. There must be some logical differentiation between the goals of fostering industrial and enterprise development and the abuses of financial capitalism. Moreover, while there are legitimate public policy reasons for regulating specific activities such as health, transportation, and education; this should not be done through the Companies Law. The current requirement that an applicant obtain substantive ministerial approval as a precondition for registration for all companies causes unnecessary delay and frustration.

Ideally, Jordan should consider adopting a liberal approach to company formation and management freedom. By the former it is meant that the Controller merely certify that an application is complete and not pass judgement on the accuracy or the quality of the registration. This is the administrative role played by the secretaries of state in the U.S. By management freedom it is meant the flexibility to pay dividends and make distributions; greater ease at memorandum amendment; and fewer restrictions upon selling assets, mortgaging, leasing, merging, and otherwise altering the capital structure of the company. In other words, the Controller should not be both the ticket taker at the stadium gate and the referee on the playing field. The benefits of adopting a more enabling approach toward incorporation in Jordan would include the following:

- simplification of the problems faced by a corporation in conducting its routine internal business under the Companies Law.

- the development of a body of interpretive corporate law to aid lawyers and companies to plan their transactions with a greater degree of certainty.
- Increase the sophistication of the judiciary, lawyers, accountants, auditors, and government officials.

Together with the development of a more liberal corporation code must be a process to adopt a securities law and regulatory capacity in Jordan. The process of drafting a securities regulatory regime should entail a cooperative effort between the Ministries of Finance and Industry and Trade, the Central Bank, the Amman Financial Market, the Jordanian Bar Association, business groups, and major financial institutions. Ideally, this should coincide with the present redraft of the Companies Law whereby its regulatory provisions are removed, reshaped and placed in a securities statute and a fully operational (and modern) enforcement capacity created independent of the Controller and the AFM.

The two pillars of the securities law should be mandatory disclosure and anti-fraud. In the United States, which adopted the principle of compulsory disclosure from the English Companies Act, the Securities Act of 1933 essentially requires that before securities are "sold to the public" a registration statement must be filed and declared "effective" by the Securities Exchange Commission (SEC); then a prospectus can be circulated to potential investors. The effective standard entails a process of review by the SEC for the sufficiency but not the quality of disclosure. No effort is made to verify or justify the price or grade of any security; this is left entirely up to the issuer, the underwriter and the marketplace.

The registration disclosure orientation of the 1933 Act is supplemented by the Securities Exchange Act of 1934 requiring those companies with shares trading on an exchange to file reports with the SEC on a continual basis. These reports are made available to the investment community and a company opens itself up to civil liability for fraudulent disclosures; officers, directors, or other "insiders" may incur civil or even criminal liability for their willful violation of either Act.

It is not appropriate to discuss further Jordan's need to establish a Securities law and regulatory enforcement capacity. Instead, the reader is directed to "The Pricing of New Issues and Other Recommendations for the Development of the Amman Financial Market" (January, 1995) prepared by Peat Marwick LLP under contract to USAID. However, in this analysis of specific provisions of the Companies Law, the consultant has endeavored to improve the present law with the hope that the observations will speed the adoption of securities legislation in Jordan.

Specific Analysis

A threshold debate which has manifested itself in several interviews with members of Jordan's legal and financial community is the degree of specificity required in the current law. Clearly, the Company Law with its 321 articles is far too long and complex. Recommendations have been made to greatly simplify the law and leave its implementation to enabling regulations. Given, however, the scarcity of interpretive regulations of the current law attributable to the institutional and resource constraints of

the Office of the Controller, some justification exists for the maintenance of a detailed legislative approach until such capacity can be increased.

Even apart from the law's overlay of securities regulation, the process of company formation in Jordan is overly detailed requiring qualitative determinations by the Controller and the Issuing Committee. The PSC formation and registration process requires a minimum of two promoters to form the company and from two to five members to serve as the Promoters Committee. The Promoters Committee applies for permission to the Controller to establish the company submitting a feasibility study "for the business to be carried out by the company". The prospectus is verified and approved by the Issuing Committee and examined by the Amman Financial Market. The application is then reviewed by the Controller who meets with representatives of the Promoters Committee who submit the application form, memorandum, and articles of association which are then submitted to the Minister for approval. The memorandum and articles must set forth whether the company is to be publicly (many shareholders) or privately (relatively few shareholders) held. The Promoters then sign the memorandum and articles in the presence of the Controller who submits his recommendation to the Minister for final approval. Unless the Minister approves otherwise, at least 25% of a company's shares must be offered to the public for subscription.

Along with this overly lengthy registration process, the Controller is required to submit his recommendations to the Minister or the Issuing Committee for even trivial administrative matters. As stated above, the scope of the Controller's role should be the issuance of a company's certificate of incorporation upon the receipt of the statutorily mandated information providing details of promoters, directors, and officers; and not make qualitative judgements on the company's formation or subscription of capital. Of course, the Controller would be notified in any changes to this information, make available information on the company available for public inspection, and receive an annual franchise fee from the company (see earlier discussion on franchise fees). All other tasks should be left to the securities authorities.

The following analysis duplicates, to some extent, the previous discussion on limited liability companies and where appropriate will reference the appropriate article for further discussion.

Article 90 - While U.S. law allows an individual to hold all the shares of a public company, given the capitalization requirement under the current law, the requirement of at least two shareholders (promoters) appears reasonable. Given the scarcity of names discussed in *Article 55*, the restriction against selecting a personal name (except for patent holders) appears harsh. Additionally, it has become common in the more liberal U.S. jurisdictions to allow the reservation of an available name for a stated period of time (often 120 days). Reservation permits the preparation of corporate documents, stationery, etc, with the assurance that the proposed name will be available if the articles are filed within the period of time the name is reserved.

RECOMMENDATION - Permit the use of personal names for a PSC and add the following:

For a fee of JD 20, an applicant can reserve a name for incorporation from the Office of the Controller so long as that name is available or not contrary to law

or the public welfare. The reservation shall expire at the end of 120 days but is renewable at the discretion of the Controller.

Article 91 - As indicated in the previous discussion, a specific notice should appear on the company registration materials and, ideally in the statute, which provides that personal liability may be imposed upon the promoters if business is conducted before the filing of the memorandum and articles of association.

Article 92 (a) - The submission of the names and signatures of the Promoters Committee to the banks and financial institutions should be deleted. This is a procedural matter between the issuer and those institutions.

RECOMMENDATION: Delete the requirement of providing signatures of Promoter Committee members to banks and financial institutions.

Article 92 (b) and (c) - The requirement of a feasibility study should not be a precondition of incorporation. Rather, the appellant should be required merely to state its objectives. These objectives can be specific (to construct a bridge) or general (to conduct all lawful business). If shares are to be subscribed then more detailed information will be contained in the prospectus issued at registration. The requirement of appointing underwriters and marketing officers in Paragraph (c) should be left to the securities registration process.

RECOMMENDATION: Delete the feasibility study requirement in paragraph (b). Delete the required appointment of an underwriter and marketing officer from paragraph (c), retaining only the requirement of an auditor.

Article 92 (d) - As discussed in the section on LLCs (*Article 57*), the filing of articles of association has been eliminated in most U.S. states on the basis that these are contractual matters between the shareholders, directors, and officers. Until a disclosure based securities regime is adopted in Jordan, however, the retention of this filing requirement may be justifiable on public policy grounds.

Article 92 (e) - For the reasons noted in paragraphs (b) and (c) above, the establishment of a bank account prior to registration should not be a precondition of incorporation.

RECOMMENDATION: Delete establishment of a bank account as a precondition of incorporation.

Article 92 (f) - The clause "in addition to any all actions and work achieved thereby" lacks precision and may be an unwarranted intrusion into corporate governance.

RECOMMENDATION: Delete the all wording appearing after "resolutions adopted".

Articles 93, 94, 135 and 136 - Issuing Committee

(a) **The Problem:** The Companies Law requires a lengthy process in the determination of share prices for PSCs that seek to increase their share capital. Several commentators mentioned that the current process requiring the appointment and review by the Issuing Committee has two principle drawbacks. First, the formation of the Issuing Committee and the scheduling of its meetings unnecessarily delays the sale of securities. Secondly, the Issuing Committee has a tendency to undervalue the assets of the issuing PSC due to its investor protectionist orientation.

(b) **Current Law:** Under *Article 136*, a PSC can seek to increase its share capital primarily through the offering of new shares for public subscription (paragraph a) or via private subscriptions of shares by shareholders or outsiders on "the recommendation of the Controller" (paragraph b). Shares issued for public subscription must conform to the requirements established for the formation and registration of a PSC in *Article 94* which requires the Issuing Committee to "organize the dates of issuance...approve the prospectuses" and verify "the correctness of the statements and information" included in the related sales notices.

The pricing of the shares offered by PSCs seeking to increase share capital is governed by *Article 135* and determined by the Minister of Industry and Trade upon the recommendation of the Issuing Committee. The two problems with this process as indicated above are the length of time required for the Issuing Committee to offer its recommendation and the pricing mechanism which tends to undervalue the shares.

These two problems are discussed separately below:

(i) **The Issuing Committee**

The formation of the Issuing Committee is stipulated in *Article 93*, and its membership is comprised of:

- (a) The Undersecretary of the Ministry of Industry and Trade (Chairman).
- (b) The Deputy Governor of the Central Bank (Deputy Chairman).
- (c) Undersecretary of the Ministry of Finance.
- (d) General Manager of the Amman Financial Market.
- (e) The Controller of Companies (Rapporteur).
- (f) Four "experienced and specialized" representatives of the private sector. Two of these private sector members are appointed by the Chamber of Commerce and the Amman Financial Market and two are appointed by the Minister of Industry and Trade.

The Issuing Committee is required to meet at least monthly and its operational procedures are to be established by "special regulations to be issued pursuant to this law". These implementing special regulations have not been regularly promulgated. Moreover, standards for the Issuing Committees determinations have not been established thereby reducing the transparency of Jordan's financial markets.

It is also felt that the Issuing Committee has created delays in the performance of its duties due to the difficulty in convening the needed quorum of members (five) and the dilatory manner in which it performs its functions. This state of affairs unnecessarily delays the capitalization of PSCs and the investment objectives of interested investors.

(ii) Share Pricing

The pricing of new shares which are to be issued by the PSC seeking to increase its capitalization is determined by the Minister upon the recommendation of the Issuing Committee in accordance with *Article 135*. While the new shares must have a nominal value equal to that of the old shares, the new shares "may be issued at a price higher than the nominal value, including an issue premium". The level of this share premium "is determined by the Minister upon the recommendation of the Issuing Committee". As mentioned above, this system lacks transparency as no standards of review have been established.

Analysis and Recommendation

Issuing Committee Composition

The public policy reasons for the Issuing Committee are based on an understandable desire to ensure the protection of investors and Jordan's financial markets. The majority of representatives of the Issuing Committee are from the governmental agencies involved in Jordan's financial affairs and provide a daunting layer of regulation to each issuance of shares by PSCs. Moreover, these senior governmental representatives are understandably preoccupied with the affairs of state and there are no provisions for delegation of authority to more junior officers.

Due to the delays in forming the Issuing Committee and conducting its meetings it has been suggested that the Issuing Committee process be simplified in the Companies Law. Simplification could be facilitated by two means:

- (i) Reducing its membership whereby the Controller of Companies chairs an Issuing Committee comprised of himself, and two members of the private sector; one selected by the Amman Financial Market and the other by the Chamber of Commerce. This new Issuing Committee would issue its recommendation to the Minister of Trade and Industry for final determination. As the Minister is not bound by that recommendation, in the unlikely event that a Controller dissents from the Issuing Committee's recommendation, he should be able to give full background for the basis of that dissent.

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(ii) If the present composition of the Issuing Committee is deemed to serve a worthwhile public policy purpose, then delegation of authority by each member should be freely allowed. If either of the above forms is adopted, the legislation should contain time limits on how long the Issuing Committee has to issue its recommendation or otherwise allow the price established by the PSC to become the effective price. For example:

The Issuing Committee shall render its determination as to the share premium of new shares within thirty days of information required to be provided by the issuer under this statute. Should the Committee fail to make a determination within that period, the price established by the issuer and the underwriter shall be determinative.

Share Pricing

Apart from the recommendation in paragraph (b) above, the share pricing process could be improved by two changes in the current law:

(i) **Standards of Review** - Although the current law calls for the promulgation of Issuing Committee implementing regulations, such issuance has been an ad hoc process. While the needs of the issuer are usually urgent, it would not be unreasonable to require issuers to prepare their financial information in accordance with technical standards, such as Generally Accepted Accounting Principles or International Accounting Standards (the Jordanian standard). The offering documentation will contain information prepared in accordance with these standards concerning the financial condition and operating history of the issuer and share purchasers will have a reasonable basis to make their determinations. A compromise solution between no standards of review and the existing non-transparent approach would be the adoption of a "merit based" review standard currently used by California and other U.S. state "Blue Sky" statutes which provide statutory guidance along the following lines:

The price determined by the Issuing Committee shall be fair, equitable, just, and accord full consideration of the price recommended by the issuer.

These standards might be more fully developed in the subsequent securities legislation but the aim should be full disclosure of all relevant facts about the securities being sold and no governmental evaluation of the investment quality or price of the securities should be made. The sale of unregistered securities or the outright fraud in the disclosure process would give rise to substantial civil liabilities to purchasers of the securities and, possibly, criminal prosecution.

Article 95 (a) - For the reasons mentioned in *Article 92*, the pre-incorporation requirement of a feasibility study should be deleted. Also, as discussed in *Article 57*, a PSC should be required to provide the name of its registered address and registered agent.

Article 95 (b) and (c) - For the reasons stated in *Article 57* (above), the valuation by the Controller of in-kind shares is restrictive, non-transparent, and should be left to the applicant's auditors. Also, the reference to "home office" should be deleted in favor of the registered address and agent as recommended in *Article 95* (above). As the number of PSCs and their promoters is limited, the

signature in the presence of the Controller or a notary public is not unduly harsh (although a lawyer's signature and attestation could be added).

Article 96 - While franchises present particular problems due to the unequal bargaining positions of franchisors and franchisees, the protection implied by limiting them to the PSC form is a barrier to their formation in Jordan. Moreover, their governance is more properly in the realm of commercial law.

RECOMMENDATION: Delete the requirement that franchises can adopt no form other than the PSC.

Article 97 - Once a securities regulatory regime is adopted in Jordan, the approval of a PSC incorporation should be left solely to the discretion of the Controller (who will consult with the Minister on policy making but not general or specific applications). In the meantime, concerns have been addressed over the prospect of removing the Minister's jurisdiction from the current incorporation process. Given the relatively few number of PSC incorporations, there is some legitimacy to maintaining the involvement of the Minister. Interim measures which would facilitate processing could include: adding a proviso whereby if the Minister does not issue his recommendation within 30 days the Controller's recommendation shall be determinative. Also, if the capitalization requirements are lowered as recommended herein, the Controller could be have exclusive jurisdiction for all applications below a certain size (e.g. JD 100,000).

RECOMMENDATION:

(1) Insert clause at the end of the first sentence as follows:

Should the Minister not issue his determination within 30 days the recommendation of the Controller shall be determinative.

(2) Add at the beginning of *Article 97* the following:

The Controller shall approve or reject applications for all firms having total capitalization below JD 100,000. All appeals of the Controller's decision shall be to the Minister.

Article 98 - The capitalization requirement of JD 100,000 is unduly restrictive and impairs the evolution of smaller ventures into larger enterprises (as discussed in *Article 54*). The establishment of such a high level of capitalization should not be a criterion for incorporation. The establishment of all but nominal requirements was abandoned in most U.S. jurisdiction several years ago, (the Greek requirement is approximate JD 20,000 and in the Emirates it is Dh 10 million). The purposes of this high level of capitalization are undoubtedly two-fold; (1) to protect creditors and the public welfare, and (2) to ensure that PSCs are of a minimum size before they ask the public to subscribe in their shares. As the latter concern will ultimately become the responsibility of the eventual securities regime, it should be deleted. As with the discussion on capitalization levels in *Article 54*, the issue of third party protection should be left to the company, its creditors or suppliers; in the interim, a substantial reduction is advised.

On the public welfare, the implication is that PSCs will be operating in areas such as banking, transportation, tourism, and other activities which require some guarantee of liquidity for any tortious or fraudulent activity. These matters are more properly regulated by the substantive government authority and not the Controller.

Last, nominal share value requirements should also be reviewed as it is more properly a matter for promoters, directors, officers, and underwriters - not the Controller.

RECOMMENDATION: Reduce capitalization levels to JD 5,000 (or at least some level below JD 100,000. Eliminate the nominal value requirement of one share equals one JD.

Article 100 - If there is a sizable reduction in capitalization requirements, the period of installment payments could be reduced to two years without creating hardship. On the postponement of installments, the Controller and the Minister should be the decision maker for all companies in which they have respective final authority as recommended in *Article 97*.

Article 101 - Share registry and transfer provisions are more properly addressed in implementing regulations rather than in the organic statute by either the Controller or the securities regulatory body.

Article 102 (a) - The precise timing of an underwriting should be decided by the underwriter and the issuer, taking into account market conditions. The current law requires the issuer to undertake its sale of securities upon the signing of the memorandum and the articles of association. This requirement would be viewed as overly restrictive and some flexibility should be introduced by allowing, for example, the underwriting to occur not less than 90 days from the signing of the requisite documentation. Also, the 20 percent minimum contribution for the promoter's share might limit those instances where promoters contribute management expertise or intellectual property rights rather than capital. The establishment of a 10 percent minimum would be more reasonable. Also, comments were received criticizing the right of promoters to purchase up to 75 percent or 50 percent (depending upon the purposes of the company) of an underwriting as vesting them with an inordinate level of control at the expense of minority shareholders. While sympathetic with these concerns (such levels of control are common practice in the U.S. and Europe), they should be addressed in the eventual securities law.

RECOMMENDATION: Delete "at the time of" and substitute "within 90 days". Substitute 10 percent for 20 percent.

Article 102 (b) - In most jurisdictions the 10 percent limit on a promoter's shareholding would be viewed as an arbitrary constraint. Moreover, it is unclear whether this limit also applies to companies that serve as shareholders (e.g., the Amman Bank for Investment's recent purchase of 7,000,000 shares of MAFICO's 12,000,000 share underwriting). The exemption procedure should be able to be determined by the Minister upon the recommendation of the Controller rather than the Council of Ministers.

RECOMMENDATION: Increase the upper limit on promoter shareholding to 20 percent. Clarify if this limit applies to non-natural persons. Change the last clause to

the following: "However, the Minister may, upon the recommendation of the Controller, exempt any corporate body from the provisions of this paragraph."

Article 104 - Enough has been said on the role of the Issuing Committee but the wording in paragraph (a) should be improved. Does the Issuing Committee's approval relate to the prospectus or the "requirements determined by the Market", or both? The prior approval of the announcement is restrictive and not in accordance with any standards. Until the Issuing Committee's role is replaced by a securities regulatory body, the Committee should only receive the notices and, if it does not raise substantive objections (misleading, incomplete, etc.), then the notice shall be considered approved.

RECOMMENDATION: In paragraph (b) the second to last sentence should be replaced with the following:

The announcement shall be supplied to the Issuing Committee which shall review it for sufficiency, raising any objections within seven days of receipt, otherwise the notice will be deemed approved.

Article 105 - The term "underwrite" appearing here is different than its use elsewhere in the statute.

RECOMMENDATION: Replace "underwrite" with "purchase these shares". Also, while promoters cannot subscribe to an offering, their ability to purchase shares prior to public offering is somewhat misleading.

Article 106 - The terms of the contract between an underwriter and an issuer should not be required to be submitted to either the Issuing Committee or a securities regulatory body. If, however, the Issuing Committee is to retain its review of these agreements, it should be required to do so within a fixed period of time so as not to needlessly delay the underwriting process.

Article 109 - What are the "incorporation costs" and why should promoters be "jointly and severally liable" for them? If incorporation cost means filing and official notice costs, then it is reasonable to expect the promoters rather than the government to absorb them. If, however, incorporation costs mean expenses incurred by "banks and financial institutions," these should be the product of the agreement between those institutions and the issuer.

RECOMMENDATION: Clarify the definition of "incorporation costs".

Article 111 - Unless there are public policy reasons for the Controller's direct involvement, the issuer and its auditor should be given the responsibility of implementing the procedures for an over-subscription which should be articulated in the offering documentation. A report of this process should be filed with the Controller.

RECOMMENDATION: Delete Controller's supervisory role in the over-subscription process and require only that a report of the process be filed with him.

Article 113 - The use of "may" is inconsistent with other Issuing Committee functions. Moreover, the Issuing Committee's ability to exempt "other companies" from the private placement restrictions is

broad and inconsistent with international standards. When can it decide? On what grounds will the exemption be granted?

Article 115 - What is meant by "formation expenses"? This appears broader than "incorporation costs" mentioned in *Article 109*.

Article 116 - In harmony with recommendations made elsewhere in this report, the valuation of in-kind shares should be the responsibility of the issuer and its auditors. Also, there is no provision for the nomination of directors. Can a shareholder nominate more than one director? The usual interpretation of this procedure is not to allow shareholders, despite their level of ownership, to nominate more than one director. Several commentators have expressed their opinion on the unfairness of this provision.

Articles 118 and 119 - In *Article 118* the Controller should be able to appoint an independent arbitrator to review the objection and issue his recommendation on a timely basis and at the expense of the company. If either party objects to the arbitrator's recommendation then appeal should be to the court. The use of "text or legal judgement" is unclear. Also, the appointment of an independent arbitrator could be a more expedient measure. The certification process set forth in the current law is troubling in its breadth.

Article 131 - On improving the process in the valuation of shares in-kind, three options are suggested, ranging in degrees of company autonomy:

- (1) valuation should be determined by the company's auditor in accordance with generally accepted accounting principals as stated earlier. Should there be a desire to have record of this report then there could be a filing requirement with the Controller;
- (2) The auditor's report should be submitted to the Controller who has thirty days to raise any objection on the valuation or the auditor's assessment will be determinative. Any appeals of the Controller's decision should be to the Minister; and,
- (3) The Controller's approval on the valuation of shares in kind is required only in those instances where said valuation is above 10 percent of the company's total capitalization.

Article 135 - The requirement of obtaining Ministerial approval for a company which has at least 80 percent of its share capital fully paid and seeks to increase its share capital to 100 percent, is an unnecessary interference with a company's internal affairs, especially since the company is funding this increase from accumulated earnings or its voluntary reserve. Moreover, the right of a company with less than 80 percent of its share capital paid in cannot, by implication, exercise such a discretionary increase. If strong public policy reasons exist, for these limitations the increase of a company having at least 50 percent but less than 70 percent should be approved by the Controller, in consultation with the Minister. However, a more ideal situation would be to remove these restrictions altogether.

RECOMMENDATION: Allow all companies having at least 70 percent of its capital paid to have unilateral discretion to increase its capital base to the 100 percent level and require that only notice be sent to the Controller accompanied by the resolution

of its general assembly. Allow companies with at least 50 percent of its capital paid in to apply (with general assembly resolution) to the Controller, in consultation with the Minister, for permission to increase to the 100 percent level.

Article 136 - Allow the Controller, in consultation with the Minister, to approve all such new offerings below an established level (e.g., JD 100,000). All increases above JD 100,000 should be approved by the Minister upon the recommendation of the Controller.

Article 137 - A potential inconsistency exists between this *Article* and *Article 102's* limitation which permits promoters of "other public shareholding companies" (i.e., not banks, financial institutions, and insurance companies) to subscribe up to 75 percent of its initial offering. If the recommendation in *Article 136* is adopted then "or Controller, as provided in *Article 136*" should be added after "Minister".

Article 138 - Without even reaching the issue of the Controller's involvement in this process, this *Article* is an extreme example of governmental interference in a company's internal affairs. First, the action taken by the Council of Ministers is without the consent of the general assembly of the company. Second, the 15 percent tax assessment will effectively decrease the company's capital base by an equivalent level causing particular injustice to minority shareholders having less than 15 percent ownership. Third, there are no criteria established justifying such action. Several commentators have expressed concern over this unilateral power.

RECOMMENDATION: Eliminate *Article 138* or limit the government's authority to exercise this unilateral power.

Article 140 - If this procedure of creditor review of capital decreases is justified on public policy grounds, consideration should be given to allow a company to effect such a decrease so long as the amount of the reduction does not exceed the company's accumulated liabilities, as verified by its auditors. Notice should be given to creditors with appropriate publication. If the amount of reduction does exceed such liabilities, the objection procedure should first be conducted, at the expense of the Company, by an independent arbitrator who will submit his findings to the Controller. The Controller will receive those findings and issue his recommendation, in consultation with the Minister. All appeals of the Controller's decision will then go to the Higher Court.

Articles 141 and 142 - The term of any bond is a vital element and will be reflected in the price determined by the marketplace. The current five year limitation should be either eliminated or liberalized to 10 years to make the Jordanian bond market competitive with other emerging capital markets. The securitization of the bond should also be left to the discretion of the company although with the proliferation of high yielding "junk bonds" in the U.S., some reasonable limits on the collateralization could be established by the eventual securities regulatory body. The role of the Issuing Committee in this bond issuance process (through *Article 159*) should be eliminated or reduced as discussed elsewhere in this report.

Articles 160 and 164 - Most U.S. states permit a board of directors to consist of one or more directors (Section 8.03, Revised Model Business Corporation Act) yet require, unlike European law, that the directors be "individuals" and not corporations or other entities. Historically, three directors were required and a few states retain this requirement. In most U.S. jurisdictions staggered terms for

Directors are allowed, especially when there are more than nine directors to ensure some diffusion of control.

RECOMMENDATION: Reduce minimum number of directors from seven to three for firms with a net capitalization under an established level (eg., JD 100,000) in paragraph (a).

Article 161 - The election of independent or outside directors has proliferated in the U.S. Independent directors are not affiliated with either the management or ownership of the company and are able to bring expertise and objectivity to a board's decision making, thereby affording greater protection to the interests of minority shareholders. While the restrictions on the sale of director's shares below the stipulated amount required for qualification is an understandable protection against insider trading, this could be an unreasonable constraint on a director holding a relatively small amount of shares. Thought should be given to establishing minimum percentages of a director's share sales.

RECOMMENDATION: Allow the election of a maximum number of outside directors (e.g., 33%). Allow directors to sell up to 20 percent of his or her shares per quarter, especially when ownership falls below the statutory minimum.

Article 169 - This directs the company to publish certain financial information on an annual basis but does not state where that publication should occur.

RECOMMENDATION: Clarify where the balance sheet, financial statements, annual report, and financial statement should be published.

Article 174 - This provision contemplates an effort at restricting the growth of inter-locking directorates which have been found to have anti-competitive consequences in those economies which have a large degree of concentration in economic decision making. The three (PSC) and five (all companies) directorship limitation might be, however, unduly restrictive, especially for charitable organizations.

RECOMMENDATION: The possibility of election to more than five boards should be allowed with the consent of each board upon which that director sits or exempt the limitation to charitable organizations.

Articles 176, 185, and 187 - Directors and officers have a duty of loyalty to the company and are liable as a fiduciary for any breach thereof. The restrictions on board membership are an indirect way to state that directors shall not engage in activities that either conflict or create the appearance of conflict with the interests of the company. However, there should be even more direct notice to directors and officers placed on the certificate of registration (incorporation) as is the case in the United States under the RMBCA and Delaware General Corporation Law (Section 102(b)(7)). The removal in paragraph (e) of *Article 176* should be clarified as to who has standing (board, shareholders, Controller) to move for such an action and to which authority (Controller, Minister, Higher Court). The last clause (dangling) of the first sentence of *Article 185 (a)* creates almost unlimited liability for the management decisions of the chairman or directors. Moreover, the negligence standard is too unduly harsh. This

level of liability runs afoul of the business judgement rule which, in the United States absolves directors or management from the harmful consequences of decisions that were made in good faith.

RECOMMENDATION: Place notices on certificates of registration regarding director and officer duties and restrictions. Clarify removal and liability provisions in *Article 176 (e)* and *185 (a)*. Add to *Articles 185* and *187* language on the limitation of director liability for business decisions made in good faith.

Article 179 - Notwithstanding the earlier discussion concerning the desirability of requiring detailed filing obligations which impede the management freedom of companies, the Controller should be sent these special by-laws and should be given a period of time to raise any objections to them or they will become effective as a matter of law.

RECOMMENDATION: Change the last two lines of paragraph (a) to the following:

Copies of these by-laws shall be sent to the Controller who has fifteen days to raise any objection on public policy grounds or the by-laws will become effective.

Article 183 - The requirement of six board meetings a year could be unduly restrictive to small companies or those companies where board membership is wide-spread. This should be left to the internal affairs of the company, its board, and shareholders. Mention might also be made whether board meetings can be held telephonically (as is the growing practice in the U.S. and Europe).

RECOMMENDATION: Reduce the number of board meetings required each year for the current number of six to four (quarterly). Specifically allow telephonic meetings.

Articles 186 and *194* - These articles restrict a company insider (director, officer, employee) from disclosing or acting upon confidential information. These restrictions should appear as a supplement to the disclosure provisions of a securities law and are applied also to shareholders holding more than a 10 percent interest in the securities of the company. United States courts have imposed civil liability on those third parties relying upon information received from insiders (knowingly or unknowingly) on a constructive wrongful conversion basis. It is beyond the scope of this report to explore the evolution of insider trading restrictions in Jordan but thought should be given to make *Articles 186* and *194* apply to those holding 10 percent of shares.

Article 193 - The 30 percent standard should be lowered to be consistent with the 25 percent standard enabling shareholder's to call an extraordinary meeting. The Controller should be able to appoint a neutral lawyer to conduct the hearing at the expense of the company.

Articles 195 and *196* - The Controller should be empowered to appoint a provisional board (*Article 195*) or remove "inadequate" directors and appoint an administrative board (*Article 196*) in consultation with the Minister. If there are public policy reasons, then the Controller should make recommendations to the Minister on the composition of the board for all shareholding companies having share capital above a stated amount (e.g., JD 100,000).

Article 197 - As a general matter, the *Articles 197 - 211* governing the holding of ordinary and extraordinary meetings of the general assembly of a PSC entail entirely too much involvement by the Controller and the Minister. The Controller has neither the staff nor time to become involved with such matters and the Minister is preoccupied with more important affairs of state. Requirements that timely notices and proxies be sent and voting conducted in accordance with certain minimum rules should ultimately be established by a securities law. However, should a shareholder, officer, or director object to the manner in which these meetings are being conducted, then they should have a statutory right to object to the Controller who, in consultation with the Minister, can make his ruling. Provisional changes to the law can suffice until a securities regime is in place. These recommendations include:

- Require notice of the meeting date only to the Controller in *Article 197*;
- To make minority shareholder objection levels consistent throughout this law, the 15 percent appearing in *Article 200 (a)* should be increased to 25 percent.
- The Controller should be able to direct the company's auditors, lawyers, or objective third parties (including lawyers and auditors), to convene an extraordinary general assembly meeting in *Article 200 (b)*.
- The Controller (or his delegate) can inspect the proxies either at the request of a shareholder or upon his own discretion, but should not be required to do so as is presently the case in *Article 207 (a)*.
- Only in limited circumstances should the Controller, or a senior staff member, conduct the general assembly meetings as presently required under *Articles 208(a)* and *209 (a)*. The reasons for such supervision should be when a certain percentage of shareholders request and if the Controller decides that to do so would be in the best interest of those shareholders. Otherwise, the auditors and lawyers of the company could certify that the meeting was held in accordance with Jordanian law.
- The Controller should be invited to any general assembly meeting and, if reasons exist for this anomaly, require the company to pay JD 200 (plus expenses) when he (or his designate) attend as provided in *Article 208 (b)*. The remaining provisions on the distribution of that fund will not be opined upon.
- The delivery of a signed copy of the minutes in *Article 209*, perhaps with a certification by the company's lawyer or auditor that the meeting was held in accordance with this law, should be the only document required to be delivered to the Controller. Of course, the Controller should be able to obtain any information he so requests relevant to that meeting.
- The Controller should be invited, but his presence should not be a prerequisite for a general assembly meeting to be legally held. Therefore *Article 210's* last sentence should be modified.

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Article 220 - There has been some comment on the laxity of auditing practices in Jordan. The suggestion has been made that all partnerships above a certain size should be required to have a auditor. In paragraph (b), as all auditors must abide by the same rules regarding conflict of interest, they should be only required to notify the Controller of their selection after it has been made.

RECOMMENDATION: Require a company to notify the Controller of its selection of auditor after it has been made.

Article 232 - Comments have been made on the requirement that a holding company be a public share company as a restraint on the development of this type of entity in Jordan. In the United States there is no comprehensive requirement that an investment company be a public share company but if it does sell shares it must comply with rigid statutory requirements enforced by the Securities Exchange Commission.

Article 237 - As the government has an interest in assuring the stability and liquidity of mutual funds, a high level of capitalization is warranted, although consideration should be given to reducing the JD 1,000,000 capitalization requirement.

Article 245 - As discussed in the previous analysis of general and limited partnerships, the partnership agreement should govern the level of majority required to undertake certain measures, including the transformation of the entity's form.

RECOMMENDATION: Substitute the following between "another" and "and":

shall be governed by the partnership agreement but shall not be by less than a majority of the partners and if the partnership agreement does not so provide, then by unanimous consent of the partners...

Article 246 - Several comments were made criticizing the inability of general or limited partnerships to transform into public share companies without undergoing a minimum three year term as a limited liability company. This could be a barrier to partnerships seeking to capitalize on intellectual property rights or other assets that they have obtained.

RECOMMENDATION: Adopt procedures allowing general partnerships to transform into public share companies, so long as they meet the requirements provided in this law.

Article 246 (b) - The requirement of unanimous consent of all creditors could lead to an inordinate level of interference in the management decisions of a partnership seeking to transform itself into a limited liability company.

RECOMMENDATION: Substitute the last sentence with:

The transformation shall not be accomplished except with the written approval of a majority of the creditors representing not less than 50% of the partnership's existing indebtedness.

Article 246 (c) - The auditor's verification of the financial information, including partnership equity, should satisfy the Controller's information needs.

RECOMMENDATION: Require that the application for transformation contain audited information.

Article 246 (d) and (e) - Neither the Controller nor the Minister should render a qualitative judgement of the application for transformation but rather only certify that the requisite information has been supplied.

RECOMMENDATION: Replace paragraphs (d) and (e) with the following:

d) The Controller, in consultation with the Minister shall certify that the applicant has complied with the information requirement set forth above.

e) Once the Controller's certification has been received, then the procedures for registration and publication shall be carried out pursuant to the provisions of this law.

Article 247 (b) - As with the feasibility study requirement in *Article 95*, a Limited Liability Company seeking to transform into a Public Share Company should only be required to state its objectives and audited financial statements.

Article 247 (c) - The balance sheet should be audited.

Article 247 (e) - The assessment of the company assets and liabilities should be audited.

Article 248 - The Controller should be able to make this decision, in consultation with the Minister except for those Limited Liability Companies or Limited Partnerships in Shares above a stated capitalization level (e.g., JD 100,000). The audited information required in paragraph (e) should eliminate the need to form a committee of experts.

RECOMMENDATION - Replace *Article 248* with the following:

The Controller, in consultation with the Minister, shall certify the transformation of those limited liability company or limited partnership in shares with capitalizations of less than JD 100,000. For all such entities with capitalizations exceeding JD 100,000, the Minister shall approve the transformation upon the recommendation of the Controller within thirty days from the date of submitting the application referred to in *Article 247* of this law.

Article 249 - If the changes recommended in *Article 248* are accepted then "of the Minister should" be removed from paragraph (a). Also, initial appeals of the Controller's or Minister's decision should be to the Higher Court.

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Article 252 - Applications for mergers should be to the Controller. The need for a preliminary valuation in paragraph (e) should be satisfied by the audited balance sheets required in paragraph (d). The ability of the Controller to require "any other statements" should pertain only to clarification of the requisite information provided.

Article 257 - The Controller should receive the application for merger and be empowered to render his decision, unless, as discussed above, the gross capitalization of the contemplated merger exceeds a certain amount (e.g., JD 100,000).

Article 258 - The lengthy procedure appointing an evaluation committee could be replaced by requiring the appointment of an outside auditor who shall submit its finding to the Controller within sixty days who can extend this term upon a showing of cause. These expenses should be borne by the merging companies.

Article 260 - The Controller, in consultation with the Minister, should be empowered to appoint the Executive Committee, subject to the capitalization level recommendation stated in *Article 257*. The Memorandum or Articles of Association should govern the majority required but such majority should be not less than fifty percent of the shares represented.

Article 263 - The Controller should be empowered to issue instructions concerning the merger procedures and be able to settle objections. Appeals of the Controller's determinations should be to the Minister.

Article 264 - The Controller should be empowered to receive objections of the merger and any appeal of the Controller's determinations should be to the Minister.

Article 267 - The strict liability standard established for the General Manager (especially) and auditors in this Article is very broad. There should be some accommodation for good faith errors.

RECOMMENDATION - Add "knowingly" recorded before "recorded" and "declared". This would conform to the last sentence of this Article.

Article 270 - There is an inconsistency between the requirement that a Public Share Company own not less than fifty percent of another Public Shareholding Company and *Article 239's* limitation on ownership held by Mutual Funds which also happen to be Public Shareholding Companies.

RECOMMENDATION - Add the following at the end of the first clause, "except for Mutual Funds".

Article 271 - The Controller should be empowered to receive and refer the application to the Issuing Committee (see previous discussion the role and composition of the Issuing Committee). His decision to approve the application and suspend share trading should be made in consultation with the Minister, subject to capitalization levels (e.g., JD 100,000).

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Article 273 - The Controller should be empowered to approve the sale by a parent of a wholly-owned subsidiary subject to review of the Issuing Committee in consultation with the Minister, subject to the above capitalization levels. The holding period limitation should be reduced to two years which would comply with other holding restrictions established in this law.

Article 277 - The Controller, in consultation with the Minister, should be empowered to approve a registration of a Foreign Company Operating in the Kingdom. At least one comment was made criticizing the need to obtain a clearance by the Ministry of the Interior on the Foreign Company's designated representative before registration.

Articles 280 to 286 - Many comments were received on provisions regarding Non-Operating Foreign Companies in the Kingdom. These comments included observations that the intention of the law was often circumvented; that filing requirements, including audited financial and Arabic versions of the company's memorandum and articles of incorporation were overly harsh; that the law restricted individuals with dual citizenship from serving as representatives; and, that dissolution procedures are not established. At least one commentator suggested that only a translated "certificate of incorporation" of the situs of incorporation be required appending foreign (or at least English) language versions of other required information. It is beyond the scope of this report to comment on this corporate form other than to raise the above criticisms and provide the unsolicited observation that the law's generous provisions could serve as an incentive to foreign companies wishing to use Jordan as a base for regional operations.

Articles 287 to 307 - As with *Articles 280 to 286*, it is beyond the scope of this report to provide extensive commentary on the law's provisions for the Liquidation and Dissolution of a Public Share Company, especially without the ability to reference the Commercial Law. However, the absence of any receivership or "work-out" (Chapter 11 in U.S. Bankruptcy Law) appears to limit the ability of companies undergoing financial distress to redeem themselves under court supervision. Such provisions have frequently provided protection to both shareholders and creditors in many jurisdictions and consideration should be given for their adoption in Jordan.

Article 308 - Many comments were received on the inability of the Controller or Minister to enforce the provisions of this law. While *Article 308* empowers the Controller and Minister to "take such measures which they deem suitable" to ensure compliance with the law, these measures are not spelled out. There should be clarification on the subpoena and injunctive powers of the Controller.

RECOMMENDATION - Add after "suitable" in the second sentence: "including the power to issue subpoenas and exercise injunctive measures under Court supervision".

Article 310 - If the 25 percent standard is adopted elsewhere in the law, then *Article 310* should be modified accordingly.

RECOMMENDATION - Replace 20 percent with 25 percent.

Article 311 - The Controller should be able to order an audit without the consent of the Minister. He should also be permitted to appoint an outside auditor but this should be at the expense of his office.

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Article 313 - There are no procedures concerning who has the authority to bring criminal actions for violations of this law. Several comments were made on the over-inconclusiveness of this issue.

Appendix A

Meeting Notes - March 13, 1995

I. USAID

a. Bassam Khatib (Project Coordinator) - Discussed the scope of the consultancy and the Private Sector Policy Reform Program of which this assignment is a part. Bassam outlined the preferred methodology of the assignment and asked for (1) a proposed Work Plan in outline form by March 17; and (2) weekly progress reports. Among the concerns that have been raised on the current Companies Law (No. 1 of 1989) include:

- The Controller of Companies approval process for certain types of companies;
- Government control over management and audit of companies is cumbersome and lengthy; and
- The Companies Law is too long and confusing.

b. Peter Delp (Director of Private Sector Policy Reform Project) - Mr. Delp mentioned that concerns have been raised regarding the pricing of new shares and the cumbersome nature of the registration process. He said that the release of the third tranche of USAID project funds is partly conditional upon the simplification of the Companies Law. Other issues raised by Mr. Delp included:

- reliability of information disclosure by registered companies;
- the possibility of arbitrariness in enforcement;
- unacceptably high transfer costs;

Mr. Delp urged the consultancy to not refrain from making hard recommendations and suggested that the Companies Law be evaluated in the totality of Jordan's economic climate. He urged that the consultant work closely with the Controller of Companies and the Minister of Trade and Industry who will establish the priorities for the assignment.

c. Tom Oliver and Diane Swain (USAID Mission Director and Deputy Director) - Brief meetings were held with Mr. Oliver and Ms. Swain on the role of the Companies Law and Jordan's private sector reforms. Mr. Oliver suggested that we garner the input of the Royal Commission on Modernization and Reform and the Minister of Planning (although the latter was departing on a trip to the United States on March 14th).

II. Controller of Companies

A lengthy discussion was held with Mr. Said Hiasat, the Controller, Ms. Mona Fosti, Register of Foreign Companies, and Messrs Bassam and Carroll. Mr. Hiasat said that the consultancy was timely as a committee has been formed to review the Companies Law. The key objectives of this review are:

- making the law more flexible and less complex;
- streamlining the review process;

- introducing more transparency in the Companies Law; and,
- clarifying the authority of the Controller.

Mr. Hiasat said that there was pressure to reduce government involvement in the management of companies, especially in professional and other special purpose companies which should be handled by company directors and the Central Bank. Particular reference was made to the onerous regulatory requirements of the Controller. However, Mr. Hiasat said that special concerns remain toward companies raising capital from the public where he foresees ongoing involvement by the Controller.

Other issues raised in the meeting included:

- the movement toward a disclosure based regulatory regime whereby companies have to supply statutorily mandated information and empowering the Controller to take action when these requirements are not met; and,
- need for specific guidance on amendments that will enhance the autonomy of the Controller whose decisions are currently circumscribed by other considerations within the Ministry of Trade and Industry.

Mr. Hiasat said that the consultant should be apprised that another consultancy is studying the establishment of a securities regulatory body. He also referenced concern over the limited number of companies on the AFM. He suggested that meetings be held with academics, leaders of the Jordanian Bar and Auditors Association, the Director of the Amman Financial Market, the Chamber of Commerce, the former Director of the AFM and Dr. Hasham Sabbagh, a special economic advisor to the Prime Minister, the Director of the Amman Bank, and a financial journalist by the name of Ahmed Nammari.

Mr. Hiasat hoped that the consultancy will be focused on an analysis of the current legislation with particular emphasis on the authority of the Controller and suggestions for the simplification of the registration process.

Meeting Notes - March 14, 1995

III. Controller of Companies

Various ad hoc discussions with officials of the Ministry of Trade and Industry and the Office of the Controller including Said Hiasat, Mona Fostiq, Abdul Karim Gharabeh (supervisor for new registrations), and Mohammad Salah Qahoa (Economic Policy Advisor).

I was able to witness the registration process first-hand and evaluate the process and types of questions and administrative glitches that arose. From an efficiency stand-point there should be a better means to evaluate applicant needs prior to their engagement of Controller executive staff who are tasked endlessly in the hall ways and offices. During my time there I was questioned no less than eight times on the applicability of certain procedures. For example, many of the applicants are referred to a substantive ministry (usually the Ministries of Health, Transportation, Education, and Interior) for

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specific approval of a statutorily controlled business activity. This ministerial approval process have been a source of frustrations for applicants in so far as the process can take several weeks to complete. Other simple questions pertained to the document signature process, the appropriate name of a partnership, and other general information required from applicants.

In discussions with senior administrative staff, it was clear that 90 percent of the issues they address are routine and would be handled by an information desk and more explicit materials. I am certain that an in-depth study would reveal significant cost savings from the diversion of these inquiries from supervisory staff. On the establishment of partnerships and limited liability companies, supervisory staff said that in demonstrating the former's satisfaction of statutory capitalization requirements (JD 500) partners need only to affirm that they have pledged the capital. In limited liability companies, applicants must show that they have deposited 50 percent of the statutory requirement with a bank. Other points raised during my discussions included:

- the Controller's office registers an average of 15 partnerships and three limited liability companies per day; and, ten public share companies per month.
- the supervisor has been delegated to make the final decisions on partnership registrations, however, he instead reviews and refers the documentation to the Controller on limited liability and public share companies.
- public share companies represent a particular problem for registration as they frequently involve solicitations of capital from the general public. The supervisory staff must remain into the evening in order to review the legal sufficiency of these applications.

Meeting Notes - March 15, 1995

IV. Muawia B. Khammash - Arab Bank

Mr. Khammash is the Legal Advisor to the Arab Bank, Jordan's largest financial institution. He is the former Controller of Companies and participates on a committee preparing draft of amendments to the Companies Law. Mr. Khammash is also active with the Amman Financial Market.

Mr. Khammash said that the Companies Law along with financial and investment laws were obstacles to foreign investment. He said that any redraft of the Companies Law should focus on issues of clarity and transparency. Concerning clarity, he said that simplification of company registration is needed. He said that major improvement could be obtained by according more authority to the Controller and using Ministerial authority in rare instances. He urged that lawyers become more involved in the redrafting of the law. On the status of implementing regulations and their impact on investors Mr. Khammash said that more clarity is needed in those regulations that have been promulgated, adding that many important areas do not yet have implementing regulations at all. He also urged that the private sector be consulted before their promulgation although he did state that advance notices were required by law.

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Mr. Khammash said that the Companies Law interrelates to criminal, commercial and banking law. He said that there has been discussion by an ad hoc committee on the establishment of a securities commission that would deal with technical matters in a consultative manner. He said that a disclosure based system was advisable to minimize government control but hoped that better accounting standards evolve through the AFM and the Companies Law, in order to placate private investors fears on reliance upon company generated financial information. This law should contain penalties for individuals and companies violating the law apart from civil remedies (through the courts or arbitration) sought by aggrieved parties.

V. Salem Ali Salem Al-Jafaari - Legal Advisor, Ministry of Trade and Industry

Mr. Al-Jafaari advises the Ministry of Trade and Industry on Company Law, as well as intellectual property and other issues, he also sits on the committee proposing new amendments to the Law. Other representatives on the drafting committee include the Arab Bank, the AFM, the Central Bank, the Chamber of Industry, and a law professor. Neither the bar association nor the chamber of commerce were represented but he hoped that the bar would become more involved.

Mr. Al-Jafaari said that the provisional nature of the current law provides an opportunity for extensive review. These changes will be submitted to the Minister for approval before being reviewed by the Council of Ministers, and then passed to both assemblies for debate and passage. Mr. Al-Jafaari hopes that this process will be concluded in a few months.

Mr. Al-Jafaari gave a detailed analysis of the relationship of the liquidation and dissolution provisions of the Company Law and the bankruptcy provisions of the Commercial Law which are felt to provide adequate protection for creditors and debtors (with one noted exception). One administrative problem that he articulated is the confusing ways in which various registers are used. Mr. Al-Jafaari said that there should be some uniformity or cross referencing system employed rather than the Byzantine time consuming system, where a company is assigned different and not cross-referenced numbers for registrations under the Commercial and Companies Law, this includes trade-marks, trade names, industrial authorizations, and patents.

Another problem articulated by Mr. Al-Jafaari is the limitation on limited liability companies from holding more than one seat on a board of directors regardless of the number of shares it holds. This bar has led to the fiction of nominee shareholders being used for the purpose of electing them to the Board. He suggested that *Articles 163 and 164* be modified to allow more director positions for limited liability companies with the introduction of minority shareholder protection.

Lastly, Mr. Al-Jafaari mentioned two technical problems. First, he said that the Companies Law contains too many requirements for numerical thresholds for such matters as directorship appointments. He urged that more authority be given to companies to so determine what the appropriate number of directors should be. Second, he said that the current system of requiring every shareholder of limited liability companies to sign the registration application in the presence of the Controller or a Notary Public was unnecessary and time consuming.

VI. Sinai Ghosheh (CPA) and Kamal Al-Bakri (Attorney)

Review of Jordanian Companies Law

Messrs Ghosheh and Al-Bakri concentrate in the area of public company registration. They provided a detailed analysis of the registration process, and recommended its statutory and administrative simplification. I developed a 22 step flowchart from their technical description of the process that indicates that the entire problem of company registration cannot be attributed to the Companies Law.

Messrs Ghosheh and Al-Bakri also made the following points:

- that the Controller does have the effective administrative power on all matters pertaining to public companies and that the requirement of ministerial approval merely delays the process and adds another non-transparent layer. Perhaps the law could be redrafted to require Ministerial consultation or provide appeals of administrative decisions to the Minister.
- That the director limitation on limited liability companies is unfair and counter-productive.
- That the requirement of each shareholder signature was an unneeded protection.
- The Issuing Committee system should either be scrapped or revised to include some reasonable (and transparent) standards.

Meeting Notes - March 16, 1995

VII. Monther Hommoudeh and Hammad Shuqeir - Arab Professionals

Messrs Hommoudeh and Shuqeir are principals in a leading consulting and accounting firm and founding members of the Jordanian Businessman's Association. Additionally, one of them is Chairman of the Jordanian Auditors Association and is a member of the drafting committee for the revised Companies Law. These senior accountants have over fifty years of combined experience in consulting in Jordan and the Persian Gulf.

Both gentlemen expressed concern over the capitalization requirements for LLC (JD 30,000), Public Share Companies (JD 500,000), and Commercial Banks (JD 20,000,000). Apart from capitalization costs Public Share Companies (PSCs) and banks incur up to JD 15,000 for advertising and a tax of .004 on an offering. They explained the process where PSCs and banks must reserve a minimum of 25 percent and 50 percent of an offering to members of the public. With PSCs an offering must be at least 66 percent subscribed for it to close. While banks do not receive underwriting fees they derive substantial revenue for serving as escrow agents. The cumulative effect of these requirements serves as an obstacle to public offerings.

On the Companies Law, Messrs Hommoudeh and Shuqeir said that the requirement of three years of at least 10 percent profitability before a LLC can undertake a transition into a PSC as being too rigid. Moreover, there is no provision in the Law which would allow a partnership to become a PSC

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without a three year period as a LLC. This restriction prevents partnership that obtain intellectual property or licensing rights from raising needed capital to exploit there business opportunities.

On the role of Issuing Committees, this process was seen as being unnecessarily protracted and the suggestion was made to require PSCs to produce audited financial statements with a statement by the founders, that this information is a true and accurate representation of the PSCs financial position.

Both gentlemen said that the financial record keeping of partnerships was in many cases inadequate. Messrs Hommoudeh and Shuqeir suggested that partnerships should be required to submit audited financials which would strengthen auditing standards in Jordan, increase tax revenue collections, and increase lending to small businesses. In response to the author's observation that this might pose a financial barrier to small businesses and deter them from registering their enterprises even as partnerships, they proposed that only partnerships having a certain volume of annual turnover be required to submit audited financials.

On the state of auditing standards, Messrs Hammoudeh and Shuqeir said that the IFAC standard was sufficient but that the licensing of auditors in Jordan should be strengthened.

VIII. Lana Salameh - Attorney

Ms. Salameh has specialized in Company Law since her admission to the Jordanian bar eight years ago. On the current drafting process, Ms. Salameh expressed concern that this process not be influenced by individuals with a personal or professional stake in a specific provision. She hoped that the Jordanian Bar Association will take a more active role in the process.

On the pricing limitation on LLC shares, Ms. Salameh said that this could deter foreign investment which would be willing to pay a premium for shares for a successful LLC. For example, the Law requires LLC shares to be priced at one nominal price (JD 1). This limitation is a disincentive to infusions of capital to those LLCs which might command premium of their shares due to higher earning ratios (the standard measure of share values in U.S. and European acquisitions). This limitation has the additional effect of undervaluing the contributions of key individuals or holders of intellectual property rights, who, under the current law, could not receive a premium for their participation even if the other shareholders agreed.

On the simplification of the registration process, Ms. Salameh said that the condition precedent of obtaining substantive Ministerial approvals is an unneeded delay to registration. She hoped the current manual filing system will be replaced by a computerized system to increase efficiency and transparency. She also said that allowing a lawyer to certify shareholder signatures would speed registration. On capitalization requirements, Ms. Salameh felt that the current levels for LLCs and PSC are too high and should be retained for only those types of enterprises that operate in areas where there are specific public policy concerns, such as health and banking.

On LLC internal management practices she said that the current interpretation of the C/C to allow for simple majority general assembly voting for resolutions proposed in ordinary meetings be reflected in legislation. Specifically, *Article 66 (b)*, should be amended to allow LLCs to stipulate in their Articles

of Association that resolutions be passed by no less than 50 percent of the votes of the partners rather than the current requirement of unanimous consent.

On the availability of information on LLCs and PSCs, Ms. Salameh observed that third parties with demonstrable interests (e.g., creditors) should be able to freely obtain data on registered firms without having to obtain a court order. Theoretically, this information is available through official gazettes but the time lag (up to two years) in publication is a barrier.

IX. Informal Discussions with Senior C/C Staff

In ad hoc discussions with C/C staff, it was observed that several requirements under the statutory provision governing Non-Operating Foreign Companies were unreasonable. Specifically, the requirement for audited financials under *Article 281 (a) (4)* was unwarranted in that there was no discernable public policy purpose as these companies do not operate in Jordan. A proffered suggestion requiring merely a certificate of good standing from the foreign jurisdiction of registration was sufficient. Also, the requirements under paragraph (b) should be substituted with a certificate of incorporation. Lastly, an article should be added to this section allowing Non-operating Foreign Companies to freely dissolve their corporate being.

X. Asem Al-Hindawi, Director General, Investment Promotion Department, Ministry of Industry & Trade

The IPD is an independent entity under the Minister of Industry and Trade. Mr. Al-Hindawi made reference to several legal and institutional barriers to foreign direct investment in Jordan. He indicated that he has been a member of a committee under the MIT, with participation from the Central Bank and the Ministry of Finance, which is presenting a redraft of Jordan's Foreign Investment legislation. This draft will be submitted to the Council of Ministers for approval, and ultimate presentation to Parliament by the Prime Minister. Unlike the Companies Law, neither private businesses nor professionals have had input on this redraft. Among the improvements that are likely to be contained in the law include strengthened arbitration procedures, full management control, free repatriation of profits, and full foreign equity ownership in most activities. Moreover, this effort will be coordinated with a program to establish industrial development priorities by the Higher Council for Investment.

Mr. Al-Hindawi made several insightful comments on the relationship of the GOJ and the private sector. He said that foreign businesses have been frustrated by the degree of control exerted by the GOJ in the management of their affairs, and said that the drafting efforts are in response to those concerns. Once the laws have been redrafted there will be concentrated efforts to explain the laws to businessmen throughout Jordan and promote foreign direct investment.

Mr. Al-Hindawi added that new industrial and free zone legislation should substantially reduce customs duties and taxation. He urged the private sector to take a long term view and work through the various business associations to guide the GOJ in its liberalization policies as has happened in Syria.

XI. Yacoub Badr - Senior Economist, Jordan Investment Corporation

The JIC is an independent government authority which stimulates private sector development activities through direct investment in public share companies and investment promotion. Formed in 1991 as an outgrowth of Jordan's Pension Fund, the JIC has invested over JD 100 million in sixty-seven projects across many economic sectors. The JIC coordinates its investment policies in cooperation with the GOJ's industrial development policies and has taken a lead role in its privatization program. Ordinarily, the JIC takes no more than a 10 percent equity interest in a PSC but this level may increase if such investment is in furtherance of those policies. Mr. Badr hopes that the JIC will increase the number of joint ventures with foreign companies, especially in export oriented ventures.

XII. Dr. Ibrihim A. Amosh, Assistant Professor of Commercial Law, University of Jordan

Dr. Amosh is on the Companies Law drafting committee. He said that the committee is focusing on developing amendments in three areas:

- relaxation of existing procedures;
- introduction of new provisions; and,
- introduction of new substantive law (e.g., insider trading). He also is involved with the development of securities law which will be initiated after the Companies Law has been approved by Parliament.

Dr. Amosh described the process whereby the new legislation will be introduced. The draft will be submitted to the Minister of Industry and Trade who will approve the new law, and pass it to the Council of Ministers for their subsequent approval. The Council will submit the proposed law to the Legislative Court, who will review the proposal on technical grounds before being introduced to Parliament.

On the status of the current law and its implementation, Dr. Amosh said that there have been only one or two implementing regulations issued by the MIT and due to transparency and certainty reasons, he was of the opinion that the law should be comprehensive on its face, and not contain extensive implementing regulatory provisions. The enforcement of the law will be through a Special Legal Court which has exclusive jurisdiction to review the application of statutes.

Among the suggestions that the drafting committee was considering include: increasing the autonomy of the Controller of Companies, who will in the course of his activities consult with the Minister of Trade; to allow LLCs and partnerships three months to solicit to outside investors, when the number of partners and shareholders drops below the statutory minimum, with the eventual evolution of the sole proprietorship; simplify the privatization of governmental share ownership which requires the formation of an intermediary public share company; allowing greater flexibility in the conversion of LLCs and partnerships into PSCs; the liberalization of the share pricing process, which is currently done by the Issuing Committee, with the ultimate aim of allowing the market to determine share pricing; and the elimination of the capital tax imposed on voluntary additions to capital reserves.

Meeting Notes - March 19, 1995

XIII. Dr. Hasham Sabbagh - Economic Advisor, Prime Ministry

Dr. Sabbagh was the founding Chairman and Director of the Amman Financial Market - a capacity he served in for fifteen years. Subsequent to this capacity he was the Director of the Oman Financial Market in Muscat and has consulted on the development of capital markets and exchanges in several countries, including Turkey, Tunisia, Sudan, and Egypt.

Dr. Sabbagh serves on the drafting committee for the Companies Law. His comments echoed those of several others, including: the abolishment of the Issuing Committee; the establishment of a securities exchange law and commission; and more autonomy to be vested in the Controller of Companies. On the Issuing Committee, he said that due to the bureaucratic nature of its membership and the slow decision making process it should be abandoned or, as an interim arrangement, significantly modified under the direction of the Controller.

Dr. Sabbagh urged that a parallel drafting process be undertaken for the creation of a securities law and commission. The Companies Law should be gleaned of its securities regulatory provisions and these should be liberalized and transferred to a new law with an autonomous enforcement capability. This legislation should limit the power of the Controller to govern corporate internal affairs. The objectives of this legislation should be the protection of the small shareholder from market manipulations and the expansion of disclosure, particularly with regards to conflict of interest which he believes is extensive. This process should have the input of the AFM but not be subject to it in any way. He welcomed the assistance of USAID in cooperation with other institutions (International Finance Corporation, World Bank) in this process and urged that sophisticated computer technology be adopted from the outset.

On limitations on the authority of the Controller, as he is appointed by the Council of Ministers, he should be allowed to exercise his authority independent of the Minister of Finance.

XIV. Naim S. Khoury, Partner, Saba & Co. (Deloitte Touche)

Mr. Khoury is Chairman of the Jordanian Association of Chartered Accountants. He cited the widespread feeling that the Companies Law should be revised and the GOJ is hoping to have this law, along with the Income Tax and Encouragement of Investment Law, be completed by the October summit (Mr. Khoury has participated in each drafting effort). He said that the current Companies Law has three main drawbacks. First, the provisional nature of the Law has retarded the implementation of regulations and has eroded certainty in its application. Second, the Law contains many loopholes which erode the confidence of the public and private sector. Third, certain economic developments have taken place which the Companies Law is unable to accommodate, especially the development of new instruments such as derivatives and mutual funds.

Among the numerous recommendations Mr. Khoury made include:

- the passage of securities legislation (especially provisions on insider trading and investment companies) and the creation of an independent regulatory

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authority which would replace the functions presently carried on by the Investment Committee.

- that the legislation governing LLCs include stronger protection from small shareholders.
- that the provisions on holding companies be expanded.
- a separate section be developed for the creation of not for profit companies.
- provisions be developed for the creation of professional corporations or associations which limit the liability for a partner for those activities for which he has no responsibility.
- the partnership law be amended so as not to require the replacement of a deceased partner with a non-professional successor in interest.
- that the sole proprietorship form of limited liability company be developed.
- that the provisions on privatization be made more flexible to allow a publicly owned company to pursue the most appropriate means available.
- that both the Controller and the eventual securities enforcement entity have authority for implementing regulations.
- that here be the introduction of provisions found in British and U.S. law allowing the appointment of a receiver or bankruptcy trustee to permit troubled companies to redeem themselves under the supervision of the court, and with the input of the creditors.
- the role of public accountants should be strengthened and the articles governing audit reports be revised.

On the latter point, Mr. Khoury suggested that the current audit form be abandoned and the rights and responsibilities of auditors clarified. He urged the new law to include provisions for audit committees and eliminations of the separate standards found in the Audit Provision Law and the Companies Law. On the preparation of financial standards, the new law should cite either a national standard or International Accounting Standards (Note: the current standard is IAS but there should be room for the development of a national standard).

Meeting Notes - March 20, 1995

XV - Umayya S. Toukan - Managing Director, Amman Stock Exchange

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Mr. Toukan is an experienced international banker who runs the operations of the AFM. Mr. Toukan agreed that revisions to the Issuing Committee system, creation of sole proprietorships, allowing for transformation of a partnership, and reducing LLC paid in capital are among the needed changes to the Companies Law.

He also expressed caution on the rate in which a securities regulatory body be created due to the absence of legislation, institutional weaknesses, and the need to ensure the necessary political will. Mr. Toucan hoped that the current effort at revising the Companies Law ("a very stupid law") be expanded to include the creation of securities legislation due to their myriad linkages. It was the objective of the AFM to create a transparent capital market and enhance its regulatory role.

On the redrafting of the Companies Law, Mr. Toucan hoped that the result would be a reduction from its current 323 *Articles* to about 30 *Articles*. This reduced law would leave ample room for the promulgation of implementing regulations by the Controller and the eventual securities regulatory body. On the Issuing Committee, the original hope was to use this as the precursor of an SEC. On the pricing of premium shares, Mr. Toucan hoped that this could be left to the underwriters and the Issuing Committee should merely review the form of offerings (until an SEC is created). In conclusion Mr. Toucan said that the pressures from international donors to create securities legislation and a implementing regulatory body should become more realistic in order to build the appropriate consensus.

XVI. Hon. Radi Ibrihim, Former Minister and Controller of Companies

Mr. Ibrihim chaired the drafting committee of the existing law. This process began in 1985 and culminated in 1989. The current law borrows from Egyptian, Saudi, Kuwaiti, UAE, English and U.S. law.

Mr. Ibrihim opined that the law has numerous problems and requires extensive revision. Among the major items that need amendment include:

- protection for minority shareholder rights.
- introduction of an entire section on mutual funds.
- improvements to the law governing foreign corporations and regional corporations. He feels that the provision is being abused and there should be some limitations on which types of companies can qualify for its generous provisions. One possible improvement could be the requirement that the affiliated company actually conduct business in the region.
- improvements on the valuation of companies, especially with regards to in-kind shares and good will.
- a clearer division of responsibility between the Controller and the Minister.

- until a securities enforcement body is created the consideration should be given to dividing the Controller's job into two positions. The first would be responsible for the registration of all companies. The second position would assume the responsibilities of the PSC management and control responsibilities. This could eventually be the basis for a securities regulatory body.
- allow lawyers to perform all the registration requirements, at least for partnerships.

On the relationship of the organic law to implementing regulations, Mr. Ibrihim understands the flexibility gained from implementing regulations but warned to do so would require strengthening institutional capacity. On PSC approvals he felt that the Minister of Industry and Trade retain his decision making role upon the recommendation of the Issuing Committee.

Last, Mr. Ibrihim observed that on the current requirement of substantive Ministerial approval, a provision might be introduced requiring the registrant to obtain such needed approvals within 30 days of registration.

Meeting Notes - March 21, 1995

XVII. Tareq and Tarif Nabeel - Attorneys at Law

Tareq Nabeel was a principal draftsman of the 1989 Law. Tarif specializes in company registration. Tarif said that there were about 35,000 partnerships, 3,800 Limited Liability Companies, and 150 Public Share Companies registered in Jordan.

The first problem with the law is the provision in *Article 7* which provides a loop hole for LLCs and PSCs not wishing to meet capitalization requirements. By definition, these companies cannot be merchants. Therefore partnerships cannot be civil companies and *Article 6* should be amended accordingly. The Nabeels welcomed the idea of the creation of a limited liability partnership for professional service concerns, under which the personal liability of an individual partner is restricted to his partnership interest for those acts of a partner for which he has no responsibility.

Tareq Nabeel suggested that the entire Companies Law be abandoned and a broad scholarly approach taken. He fears that the current draft will repeat the mistakes of the 1989 Law where the recommendations of the drafting committee were not taken and a statute taken piece-meal from various Gulf and Egyptian models instead. Due to fears of repeated abuses of the corporate form which resulted in a few noted failures the current statute is overly protectionist. He urged that my paper touch upon the larger issues of securities regulation and include guidance on the creation of not-for-profit companies and sole proprietorships.

On the liquidation of companies, concern was raised on the reluctance of the Controller to accept a court order. Also, recommendations were made to reduce the 75 percent shareholder majority requirement to infuse additional capital when a company's losses exceed 75 percent of its capital.

Review of Jordanian Companies Law

Also, with regards to LLCs, a question was raised as to why third parties are given a preference to buy the shares of a selling shareholder versus shareholders. Messrs Nabeel were of the opinion that the name restrictions on LLCs unduly limited the universe of names available, and recommended that personal names be used so long as the LLC designation remained as was the case in England (Ltd.) or other commonwealth nations. Last, both gentlemen hoped that the Controller position would be granted more authority along the lines of the U.S. Secretary of State or Commissioner of Companies model, but indicated public policy reasons for retaining Ministerial approval for his decisions with regards to PSCs.

On the administrative aspects of the Ministry, the Nabeels said that the file control system was greatly flawed. They hoped that a computerized system would replace the current manual method. They welcomed the notion of service being through a registered agent and suggested that publication of the service be required. With regards to the regional company provisions, efforts should be made to make the implementation of the law more friendly to international investors. On the Issuing Committee process, they urged its replacement with a securities regulatory body based on full disclosure. They concluded with the suggestion that the AFM establish stricter rules on the ability of company insiders to buy and sell shares of their own company without limitation.

XVIII. Samia Hunaidi - Director of Investment Research, Amman Bank for Investments (ABI)

Ms. Hunaidi is a member of the drafting committee for the Companies Law, and said that its findings will be submitted to the legislative court for review before presentation to the Minister of Industry and Trade for presentation to the Parliament. She hoped that the process will include collaboration with the AFM to revise its own legislation for the eventual establishment of greater regulatory and administrative capacity. She hoped that the eventual regulatory body be given punitive power.

On the status of the AFM, Ms. Hunaidi said that the recent market for primary issues was stronger than the secondary market. This is due to a perception by investors that the system of nominally pricing initial offerings at JD 1 posed less investment risk than secondarily traded shares which trade at a premium above their nominal price. She supported the objectives of streamlining the registration process and clarifying the Controller's authority.

On the ability of incorporators to purchase up to 75 percent of the initial offering, Ms. Hunaidi said that this made such offerings only quasi-public. She recommended that the maximum purchase level be reduced to 50 percent. She also hoped that the issuing Committees role on pricing of new shares be left to the underwriter and issuer and said that the current fees available to underwriters be raised above the current level which averages about two percent of the total offering.

Meeting Notes - March 22, 1995

XIX. Abdul Kareem Ghatabeh, Manager of Contracts, Controller's Office

Mr. Ghatabeh oversees the registration of LLCs. On the registration of partnerships Mr. Ghatabeh said that he makes his recommendation to the Controller for signature but saw no problem of streamlining the process further by allowing the Assistant Controller to make the final determination with appeals going to the Controller. He recommended that the same decision making process be used for amendment to the partnerships memorandum.

Mr. Ghatabeh said that the Commercial Law requires partnership capitalization of at least JD 500 (to which must be added JD 30 in fees). He said that many of Jordan's 45,000 general partnerships do not take their status seriously and thought that higher capitalization levels be established. He welcomed the idea of increasing fees rather than capitalization levels as a way to ensure that partnerships take their registration seriously and generate revenue for the Controller's office. Mr. Ghatabeh added that consideration should be given to placing language on the registration application that partners are personally liable for the debts of the partnership.

On LLCs, Mr. Ghatabeh said that only about 2,200 of the 3,800 registered LLCs are active. He welcomed the imposition of an annual fee (e.g., JD 25) for maintenance of an LLCs records which could be paid at the Controller's regional offices. He supported the suggestion that the Controller's decision be the final determination with appeals to the Minister. On the facilitation of substantive Ministerial approvals (*Article 59*), Mr. Ghatabeh agreed that a notice on the application form to applicants that registration does not satisfy such approvals could speed the registration process. On the problem of name selection, he thought that the single requirement of a LLC designation on the trade name could also help partnerships become LLCs who have established good will.

XX. General Assembly Meeting, MAFICO

I attended the initial General Assembly of MAFICO, a PSC which had recently undertaken a successful initial underwriting for JD 12 million. (12 million shares at JD 1 each as required under the Companies Law). The company had been taken over by the Amman Investment Bank in the late 1980s after the original venture had undergone management difficulties resulting in losses. The firm manufactures a line of packaged agricultural goods including fruit juices, ketchup, and humus. The underwriting offered 30 percent of its shares to the general public with Amman Financial Bank and a subsidiary subscribing to 7,000,000 shares. AFB and the other various incorporators obtained shares which cannot be sold for two years.

The Controller's office certified and registered shareholders and issued election ballots. The Controller presided over the General Assembly and introduced the General Manager and lead incorporator from AFB. The auditor's report and the company's articles were read and adopted by voice vote. Ten nominations were then offered for the 9 member Board and nominees included persons and corporations. Directors are qualified only if they have at least 10,000 shares, do not sit on more than 5 other Boards, and are over 21 years of age. The eventual Board was selected by a public count of the ballots. Nominations for the auditor were then offered and a voice vote taken. The Board will select its managing director at the first meeting.

Appendix B

We, Al-Hussein I, King of the Hashemite Kingdom of Jordan, in accordance with paragraph 1 of Article No. 94 of the Constitution, and based on what has been decided by the Council of Ministers, on 20/12/1988, we attest - on the strength of Article No. 31 of the Constitution - the following provisional Law, and order that it be promulgated provisionally put into effect and be incorporated in the Laws of the State, pending its submission to the House of Parliament, in its first session :

Provisional Law No. 1 of 1989

Companies Law

Definitions and General Rules.

Article 1

This law shall be cited as "The Companies Law of 1989" and shall be put into force after the elapse of thirty days from the date of publishing it in the Official Gazette.

Article 2

The following words and expressions, where stated in this Law, shall have the meanings assigned to them, unless the context states otherwise :

The Ministry : Ministry of Industry and Trade

The Minister : Minister of Industry and Trade

The Controller : Controller of Companies, appointed by a ruling of the Council of Ministers, on the recommendation of the Minister

The underwriter: The bank or the licensed company to underwrite the securities.

The Court: Court of First Instance, in whose jurisdiction the main office of the Jordanian company or the main branch of the foreign company is.

The Market: Amman Financial Market, or any other establishment which may supercede it.

The Bank: A licensed bank or the financial institution licensed to handle banking business pursuant to the provisions of legislation in force.

Articles of the Company: The Articles of Association of the company.

The year: Twelve months in the gregorian calendar.

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Article 3

- a. The provisions of this law shall apply to companies practicing commercial business, and on matters dealt with in the text. Any matters not contained herein will be referred to the Trade Law. If not included therein, it will be referred to the Civil Law, and if it is not included therein, the commercial practice shall be applied, otherwise the judge will seek judicial diligence, jurisprudence, and justice rules.
- b. The Masculine gender shall apply to the feminine gender, and the singular expression shall apply to the plural, wherever it is stated in this law, unless the context indicates otherwise.

Article 4

The formation and registration of companies in the Kingdom shall be effected in accordance with this law. Every company formed and registered under this law shall be considered a Jordanian corporate body and its main seat shall be in the Kingdom.

Article 5

- a. No company shall be registered in a name chosen for fraudulent or illegal objectives. ~~No company shall be registered in a name already registered by another entity in the Kingdom, or in a name so similar to another that may lead to confusion or deception. The Controller may consequently reject registration of the company in such circumstances.~~
- b. Any company may raise an objection ^{Mulla & Co.} ~~within~~ writing to the Minister, within thirty days from the ~~date~~ ^{date} of publication of the decision to register another entity in the official gazette, for the cancellation of the registration of the other company, if the name under which it is registered is similar to its name or resembles it to a point where it would lead to confusion or deception. The Minister, after giving the firm whose registration, is contested time to submit its pleading within a period specified, will issue his decision to cancel the registration of the other firm, if he has been convinced of the reason for the objection relating to the registration. Any party suffering from this decision may appeal to the High Court of Justice, within thirty days from the date of its publication in one of the local daily newspapers.

Article 6

Subject to the provisions of Articles 7 or 8 of this law, companies registered under this law are divided into the following types :

- a) General Partnership
- b) Limited Partnership
- c) Limited liability company
- d) Limited Partnership in shares
- e) Public shareholding company

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- a-3) The provisions of this law shall apply to the company in all cases and for all the matters not stipulated in its Articles of Association.
- b) The Council of Ministers, at the recommendation of the Minister, Minister of Finance, and General Manager, of Amman Financial Market, will approve to offer all or part of the shares of the established company, in accordance with the provisions of paragraph (a) of this Article, for public subscription. The company as such shall become then, subject to the provisions of this law relating to the public shareholding companies including the election of promoters committee to assume the duties stipulated therein.
- c) When the subscription in the shares of the registered company, in accordance with the provisions of paragraph (b) of this Article, reaches the proportion allowing it to commence its business pursuant to this law, it will replace the company stipulated in paragraph (a) of this Article, and it will be considered the legal and factual successor in all its rights and obligations.

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Article 7

- a. Companies established in the Kingdom under agreements concluded by the Government with any other state, the participating Arab companies emanating from the Arab League or affiliated institutions and organisations, shall be registered with the Controller, in a special register prepared for this purpose. These companies shall be subject to the provisions and conditions stated in this Law, in relation to cases and issues not stipulated in the agreements and contracts under which they were established and on matters not contained in their own Articles of Association.
- b. Companies operating in the Jordanian Free Zones shall be registered in accordance with this law and shall be registered in a special register to be prepared for this objective. The registration of the company, in this case, shall be distinguished by adding a phrase "Jordanian Free Zones" to its registration certificate. All its documents, papers and correspondence shall also be identified by that phrase contained in its name.
- c. Civil companies, which take one of the forms stipulated in Article 6 of this law, shall be registered with the Controller in a special register (to be called the civil companies register), and shall be subject to the provisions of the Civil Law in force, provided that the provisions stipulated in this law shall be applied to their registration.

Article 8

Notwithstanding what is stipulated in this law :

- a)1- The Council of Ministers, on the recommendation of the Minister, Minister of Finance, and the appropriate Minister, will approve the conversion of any establishment, authority, or public official body, into a public shareholding company, where the government of the Kingdom own all the shares, without placing them for public subscription, and will register the company with the Controller in that form per its Articles of Association prepared by a special committee to be set up by the Council of Ministers. A Chairman for same shall be appointed amongst its members, who will assume completion of the procedures relating to conversion of the establishment, authority, or the public official body, into a company, and to register same, in addition to any other duties and powers entrusted by the Council of Ministers.
- 2- The Council of Ministers shall, following the completion of the company's formation and registration procedures, appoint a Chairman and members of the Board of Directors and its General Manager. The Council of Ministers shall also have the right at any time to discharge all or any of the aforesaid from their duties and to appoint one or more supervisors to follow up the administrative and financial matters of the company, and to submit periodic and non-periodic reports to the Council about those matters and the appropriate recommendations relating to them.

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Part One
General Partnership
Chapter One
Formation and registration of general partnerships

Article 9

- a) A general partnership shall consist of a number of natural persons, of not less than two and not exceeding twenty, unless the increase is due to inheritance, provided that such an excess conforms with the provisions of Articles 10 and 30 of this law.
- b) No person may be a partner in a general partnership, unless he is at least eighteen years of age.
- c) A partner in the general partnership will acquire the capacity of the merchant, and shall be considered as practicing the commercial business in the name of the partnership.

Article 10

- a) The title of the general partnership shall consist of the names of all the partners, or of the title or surname of each of them or a single name or more of the partners, or title, provided that, in this case, the phrase "and his partners" or "and partners" be added to his name or their names depending on the case, or what would lead to the meaning of this phrase. The title of the company shall correspond permanently with its existing status.
- b) The general partnership may have its own trade name provided that the said name must go together with the title under which the partnership is registered and both shall appear on all the documents and papers issued by the partnership and on its correspondence.
- c) If all partners in the general partnership die, their legal heirs, with the approval of the Minister, and at the recommendation of the Controller, may maintain the name of the company and use it, provided that it is added to it that they are successors in the company of their predecessors.

Article 11

The general partnership shall be registered in the Kingdom pursuant to the following procedures :

- a) The application for registration shall be submitted to the Controller, together with the original partnership agreement, signed by all the partners, and with a memorandum signed by each of them before the Controller or the person authorised by him in writing.

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This memorandum can be signed before the Notary Public. The partnership agreement and its memorandum must include the following :

- 1) Title of the partnership and its trade name, if any.
 - 2) Names of partners, nationality, age, and address of each of them.
 - 3) Main seat of the partnership.
 - 4) The partnership capital and each partner's share therein.
 - 5) Objectives of the partnership.
 - 6) Duration of partnership, if limited.
 - 7) Name of partner or names of partners authorised to manage and sign on behalf of the partnership.
 - 8) The position of the partnership in the event of death of any or of all of its partners.
- b) The Controller will approve the registration of the partnership within fifteen days from the date of the submission of the registration application. The Controller may however reject the said application if there is evidence in the partnership agreement or memorandum of violation of this law or the public order or the provisions of all the enforced legislations and if the partners do not take action to rectify the said violation within the period determined by the Controller. The partners may submit an objection to the Minister against the rejection of the Controller within thirty days from the date of notifying them of the said rejection. Should the Minister decide to decline the objection, the objecting partners shall have the right to contest his decision before the Higher Court of Justice within thirty days from the date of their notification of the Minister's decision.
- c) If the Controller approves the registration of the partnership or if the approval was obtained by a decision of the Minister or the Court of Higher Justice, pursuant to the provisions of paragraph (b) of this article, it will be registered after the collection of registration fees, and an announcement shall be published in the official gazette accordingly. Consequently, the Controller will issue to the partnership a registration certificate, considered as official evidence in all legal procedures. The partnership must maintain it in a visible place in its head office.
- d) The general partnership is not allowed to commence its business, except after its registration and payment of the fees in accordance with the provisions of this article, and in conformity with all the provisions of this law and the regulations issued in line therein.

Article 12

The Controller shall keep a special register in which all partnerships shall be registered and have serial numbers in chronological order according to their registration dates. The Controller shall also record in the said register any alterations or changes that may occur to any of the said partnerships. Any individual may, after paying the required fees, have access to the register if he obtains the prior approval of the Controller, should the latter be convinced that the said individual has a special interest in the register.

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Article 13

A general partnership has the right to change its name or to modify it with the approval of the Controller. The application in this regard shall be signed by all partners. This change or modification shall not affect the rights and obligations of the company. It will also not be a reason to nullify any legal act, judicial proceedings or action carried out by others toward the partnership. The partnership should ask the Controller to register the change in its name, or the revision made therein, in the special register of partnerships, within seven days from the date of that action after payment of the prescribed fees and its publication in the official gazette and at least in one of the local newspapers, at the expense of the partnership.

Article 14

If any change or revision is made to the partnership agreement or to its memorandum, the partnership must request the Controller to record that revision or change in a special register of general partnerships, within thirty days from the date of the change or alteration.

All procedures for approval, registration, and publication prescribed in this Law, shall be carried out. The Controller has the right to publish in one of the local papers any revision or change which may occur to the partnership, at its own expense.

Article 15

Failure to comply with the registration and publication procedures stipulated in Articles 11, 13 and 14 of this law, would not prevent the actual existence of the partnership or any changes thereto. It would not also affect the right of a third party to uphold the invalidity of the change or the alterations which are not registered or published. Provided that no partner in the partnership will benefit from the failure directly or indirectly. All partners shall jointly and severally be liable for any damages resulting from this failure or arising therefrom.

Article 16

- a) With due regard to the provisions of paragraph (b) of this article, the partnership agreement shall determine the rights and obligations of the partners. If the agreement does not state the manner in which the profits and losses have to be distributed to partners, then this shall be done on a pro rata basis in the same ratio as their respective shares in the capital of the partnership.
- b) The partners in the partnership may agree to change or modify their rights and obligations towards each other under the partnership agreement or per any other document. This should be governed by the provisions of registration and publication in the official gazette which are stipulated in this law.

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Chapter Two
Management of the General Partnerships
and Relationship of the Partners with
one another and with others

Article 17

- a) Any partner shall have the right to take part in the management of the general partnership, and the partnership agreement shall specify the names of partners who are authorised to manage the partnership, sign on its behalf and their powers. The authorised person shall carry out the operations of the partnership in accordance with the provisions of this law and the regulations issued in line therewith and within the authorities delegated to him and the rights given to him under the partnership agreement. The authorised person shall not have the right to receive any remuneration or wages in return for his work in the management of the partnership except with the approval of all the other partners.
- b) Any partner authorised to manage the affairs of the general partnership and to sign on its behalf shall be considered as its agent and the partnership shall be committed to the actions he undertakes on its behalf and the results arising from the said actions. But if the partner is not authorised and contracted in the name of the general partnership, then the partnership shall be responsible for his action towards a third party and shall claim compensation from him for all the losses and damages that may have been incurred thereby as a result of his action.

Article 18

- a) Any person authorised to manage the affairs of the general partnership, whether a partner or not, must discharge his duties in an honest and loyal way, and must defend its rights and its interest. He also must present to the partners on a periodic basis or upon the request of all or any one of the partners complete and correct reports of the partnership's operations in addition to detailed information and data thereon.
- b) The person authorised to manage the general partnership shall be responsible for any harm he may cause to the partnership or for any damage incurred thereby due to his negligence or failure in carrying out his duties. That person shall be relieved of his responsibility after the lapse of five years from the date his service at the partnership is terminated for any reason whatsoever.

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Article 19

- a) The person who is authorised to manage the general partnership must furnish all the partners with the following documents whether or not he has been requested by the partners and within three months from the date his service with the partnership ends:
1. A list declaring every benefit he gained whether in cash or in kind or any rights he acquired as a result of his position related to the partnership during his term and which he had kept for himself including any benefits which he gained through the exploitation of its name or trademark or title. The said person shall be obliged to refund the full value or amounts of profits he earned and compensate the partnership for all the harm sustained hereby including the interest and expense incurred by the partnership.
 2. A list of any funds or assets which belong to the partnership and which he has put at his disposal or for his own use for the purpose of using or exploiting the said property for his own benefit. The said person shall be obliged to return such funds and assets to the partnership and shall be liable for any loss or damage incurred thereto. He must also compensate the partnership for any harm or damage incurred thereto and for the opportunity costs of the partnership as a result of the above.
- b) Provisions provided for in paragraph (b) of article 18 of this law regarding the discharge of the responsibility shall not be applicable to the acts stipulated in this article. The provisions also do not include any term that prevents charging those who committed the above mentioned acts with penal sentences in accordance with any other law.

Article 20

- a) If the person authorised to manage the partnership was a partner herein and was appointed in the partnership agreement in his capacity as such, then he shall not be discharged of his duties except with the approval of all partners or by a court judgement. But if the person who is authorised to manage the general partnership is a partner therein and is appointed in his capacity as such per a special contract separate from the partnership agreement, then he may be discharged of his duties by a decision taken by the majority votes of the other partners unless the partnership agreement states otherwise.
- b) The dismissal of the person authorised to manage the general partnership in any of the two cases stipulated in paragraph (a) of this article shall not result in the dissolution of the partnership.

Article 21

A partner in a general partnership shall not be permitted to undertake any of the following actions without obtaining the prior written consent of the remaining partners :

- a) To enter into any undertaking with the partnership to carry out any business on its behalf.
- b) To enter into any undertaking or agreement with any other natural person or corporate body if the subject matter of the undertaking or the agreement falls within the objectives and businesses of the partnership.
- c) To engage in any business or activity which competes with the partnership's businesses or activities whether he carried out the said business or activity for his own benefit or for the benefit of others.
- d) To participate in any other company which carries out businesses similar to those of the partnership or to assume the responsibility of managing such companies. This is not applicable to mere ownership of shares in public shareholding companies.

Article 22

The general partnership shall be liable for all the expenses incurred by the general partner managing the partnership's affairs or for any loss or harm sustained by him due to undertaking any business for the benefit of the partnership or for the protection of its assets or rights even if the said person did not obtain the prior approval of the partners therein.

Article 23

The partners in a general partnership shall not have the right to expel any of them from the partnership except by a court ruling upon the request of any one of the partners.

Article 24

Books of account of the partnership, its records and registers shall be kept in its head office or in the place from which it carries out its business. Each partner shall have the right to inspect the said books, records and registers either personally or by delegating any other experienced and specialised person in this field, in addition to obtaining copies or photocopies therefrom. Any agreement to the contrary shall be considered as null and void.

Article 25

Any actions undertaken by a person authorised to manage the partnership or any documents in the name of the partnership signed thereby by that person shall be binding on the part of the general partnership whether that person is a partner or not.

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Article 26

- a) By observing the provisions of article (27) of this law, the partners in the general partnership shall be jointly and severally liable for all the partnership's debts and obligations which become due on the company during the period he is a partner therein. Each partner shall guarantee the partnership's debts and obligations by his own private properties. This liability and guarantee shall be transferred to his heirs after his death with the liability limited to the amount inherited.
- b) Any one who pretend either verbally or in writing to be a partner in the general partnership or acts as such or deliberately allows others to believe as such shall be responsible to the same extent as any partner in the said partnership towards any party who becomes a creditor thereto as a result of his belief in that pretense.

Article 27

Any creditor of the partnership is not permitted to proceed on the private properties of the partners for the settlement of his debts until after effecting the execution on the partnership' property. Should the properties of the partnership prove to be inadequate to satisfy all debts, then the creditor may proceed against the private properties of the partners to settle the remaining amount of that debt. Each partner has the right to compensation from the other partners in proportion to each one's share in that debt.

Article 28

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- a) Any partner in the general partnership may voluntarily withdraw therefrom if the duration of the partnership is not limited and in such a case he must abide by following:
 1. To inform the Controller and the remaining partners of his intention to withdraw from the partnership by serving them a written notice through registered mail. Withdrawals will be considered in effect as from the second day of publicising them, by the Controller in at least two local daily newspapers at the expense of the withdrawing partner. Withdrawals will only be effective against others from date of publication.
 2. To continue to be, together with the remaining partners jointly and severally liable for all the partnership's debts and obligations occurred prior to his withdrawal therefrom. The withdrawing partner shall be considered along with all partners, as guarantors of the said debts and obligations in their private properties in accordance with the provisions of this law.
 3. To be responsible before the partnership and the remaining partners for any harm or damage sustained by the partnership or the partner as a result of his withdrawal from the partnership, and also to compensate the partnership for such harm or damage.

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- b) If the general partnership has a limited duration then none of the partners are allowed to withdraw therefrom during that period except with a court judgement.
- c) Should the provisions of paragraphs (a) and (b) of this article be applied, then the remaining partners must make the necessary amendments to the partnership agreement and make the necessary changes to its status in accordance with the provisions of this law.

Article 29

- a) One or more new partners may be admitted to the partnership with the approval of all the partners unless it is stated otherwise in the partnership agreement. The new partner shall become liable for all the debts and obligations that become due by the partnership after his admittance thereto and also shall be considered as guarantor of the said debts and obligations.
- b) Provisions of paragraph (a) of this article shall be applicable to any new partner who is admitted to the partnership as a result of relinquishing the full share or part thereof of any other partner to him. Provisions of paragraph (a) of article 928) of this law shall be applicable to the said withdrawing partner.

Article 30

- a) Should one of the partners decease, the partnership continues to exist and heirs of the deceased partner shall be admitted to the partnership provided that the partners have not agreed to the contrary in the partnership agreement prior to the death of the deceased partner, and no minor or legally incompetent person was among them. But if one of the heirs is a minor or is legally incompetent, then the partnership shall by law be converted into a limited partnership and the heirs shall become limited partners.
- b) If the general partnership continues to function in the same manner after the death of any of its partners, inspite of the fact that its agreement lacks any provisions that allow the partnership to continue in existence inspite of the presence of a minor or legally incompetent heir, the deceased partner heirs shall not be liable for any of the debts and obligations that become due on the partnership following his death.

Article 31

If one of the partners in the general partnership becomes bankrupt, then creditors of the partnership shall have priority over his private creditors in his bankruptcy. But if the partnership becomes bankrupt, then its creditors thereof shall have priority over the private creditors of the partners.

Chapter Three
Dissolution and Liquidation of a General Partnership

Article 32

A general partnership shall be dissolved in any of the following circumstances :

- a) When all partners agree on the dissolution of the partnership or on its merger with another general partnership.
- b) Expiration of the partnership's term whether it is its original term or the extended term per the agreement of all partners.
- c) Completion of the objective for which it was formed.
- d) When only one partner remains in the partnership.
- e) Bankruptcy of the partnership which results in a consequent bankruptcy of all the partners.
- f) Declaring one of the partners as bankrupt or legally incompetent unless other partners decide between themselves to keep the partnership in existence.
- g) Dissolution of the partnership by a court order.
- h) Cancelling the registration of the partnership upon the Controller's resolution in accordance with the provisions of this law.

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Article 33

a) The court may consider the dissolution of a general partnership pursuant to a legal action by one of the partners in any of the following circumstances :

- 1. If any of the partners commits a major continuing breach of the partnership agreement or causes substantial damage to the partnership as a result of committing a serious fault or negligence while managing the partnership's affairs or while looking after its interests or safeguarding its rights.
- 2. If the activities of the partnership can only be carried out at a loss.
- 3. If the partnership loses all of its properties or a big portion thereof making the continuity of its activities unfeasible.
- 4. If disagreements between partners occur that render the continuity of the partnership among them impossible.
- 5. If any of the partners sustains a mental or physical incapacity rendering him incapable of performing his duties towards the partnership or fulfilling his obligations thereto.

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- b) The court may, in anyone of the events mentioned in paragraph (a) of this article, order the dissolution or the continuation of the partnership in carrying on its business after the expulsion of one or more partners therefrom if such an expulsion, at the discretion of the court, will lead to the continuity of the partnership and the smooth running of its operations in a normal manner that meets the interest of both the partnership and the remaining partners and safeguards the rights of other parties.

Article 34

- a) Should any partnership cease to carry on its business, it must notify the Controller within a period not exceeding thirty days from the date its operations had ceased. The Controller, in such cases, may grant the partnership a grace period to resume its operations within a determined period or he may decide to cancel the registration thereof and publish that in the official gazette and in at least one of the local newspapers, at the expense of the partnership, without releasing the liability of the partnership and the partners therein of its obligations towards other parties or without affecting those obligations until the date of the termination of the partnership's registration is announced.
- b) Any party aggrieved by the Controller's decision to cancel the registration of the general partnership, may, within thirty days from the date of publication in the official gazette of the aforesaid decision, contest the cancellation before the Higher Court of Justice. The execution of the cancellation decision shall cease upon contesting it and the court judgement in this case shall be final. The Controller must publish the said court judgement in the official gazette as soon as he is notified thereof.

Article 35

- a) Any general partnership that has been dissolved for any of the reasons stipulated in this law including the cancellation of its registration shall be considered to be in liquidation. The funds of the partnership shall be liquidated and distributed among the partners in accordance with the partnership's agreement or in any other document signed by all the partners. Should there be no agreement among them in this regard, the liquidation and distribution of the partnership's funds shall be governed by the provisions of this law.
- b) A general partnership which is under liquidation shall retain its separate status, to the extent necessary for the liquidation process to be completed. The authority of the person authorised to manage the partnership shall in this case be terminated whether he is one of the partners or an outsider.

Article 36

If the liquidation of the partnership has been voluntary and with the agreement of all partners, then a liquidator shall be appointed and the partners shall also determine his remuneration. Should a dispute arise between them regarding this matter, then the liquidator shall be appointed and his remuneration will be determined by the court upon the request of one or all of the partners. But if the partnership has been dissolved by law or per a court order, then a liquidator shall be appointed by the court which will also determine his remuneration.

Article 37

- a) The liquidator of a general partnership must commence his work by preparing a list which includes all the funds and assets of the partnership, and must also specify all its rights due from and obligations due to others. The liquidator is neither authorised to relinquish any of the partnership rights or assets nor to dispose of any of the aforesaid except with the prior approval of all the partners.
- b) The liquidator is not authorised to carry out any new business for the partnership on its behalf except what is needed and necessary for the completion of any undertaking which have been previously started by the partnership.
- c) The liquidator shall be personally liable for any violations of the provisions of this article.

Article 38

The liquidator must comply with all the legal and practical procedures needed for the liquidation of the general partnership in accordance with the provisions of this law, or any other legislation which he deems appropriate to apply, including collection of debts due to the partnership and the repayment of debts due by the partnership, in order of priority as determined by law.

Article 39

- a) For settling the rights of the partners after the dissolution of a general partnership and while it is under liquidation, the following rules and provisions shall be observed, and the funds and assets of the partnership shall be used to settle the rights and the liabilities of the partnerships including the funds required by the partners for the purposes of liquidation and as a part thereof:
 - 1. Expenses of the liquidation and the remuneration of the liquidator.
 - 2. The partnership's liabilities to its employees.
 - 3. The partnership's liabilities to the government.
 - 4. The partnership's debts to its creditors other than the partners provided that priority is observed.
 - 5. Loans advanced by partners to the partnership which were not part of their share capital.
- b) Each partner shall receive profits and incur losses including the profits or losses of the liquidation in the same proportions agreed upon in the partnership agreement. If the agreement does not indicate such a proportion, then distribution of profits and losses shall be made in accordance with the interest of each one of them in the capital of the partnership. The remaining amounts of the partnership's funds and assets shall also be shared based on percentages of capital contribution.

Article 40

The liquidator must submit to each partner at the end of the liquidation of the general partnership a final account of the operations and procedures which he undertook during the liquidation process. He must also submit the said account to the court should he be appointed thereby. The Controller in all cases of liquidation must receive a copy of that account in order to publish the liquidation of the partnership in the official gazette.

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Part Two
Limited Partnership

Article 41

A limited partnership is formed of two categories of partners whose names should be listed in the partnership agreement.

a. General Partners :

These are responsible for the management and operations of the partnership. They are also jointly and severally liable for all the partnership's debts and liabilities with their private properties.

b. Limited Partners :

These are the partners who contribute to the capital of the partnership without having the right to manage the partnership or to carry out its operations and the liability of each one of them is limited to his share in the capital of the partnership.

Article 42

The title of a limited partnership shall only consist of the names of the general partners. If there is only one general partner in the partnership, then the phrase "and partners" must follow his name. The name of any limited partner must not appear in the limited partnership's title. Should his name be mentioned upon his request or with his knowledge, then he shall be jointly responsible for the partnership's debts and liabilities towards other parties who may have depended, in good faith, in their dealings with the partnership, on that name.

Article 43

A limited partner shall not have the right to participate or interfere in the management of the partnership or carry out any of its business even if he is authorised or delegated to do so, or otherwise he shall be liable as a general partner for all the debts and obligations due by the partnership or in the same proportion of debts and obligations which become due on the partnership as a result of his participation or interference in the management thereof or as a result of carrying out any of its operations. In order to achieve the goals intended from the provisions of this article, supervision of the general partners and the director of the partnership who are authorised to manage it, clarifications requested from them regarding the businesses of the partnership and ideas and suggestions offered to them or to any one of them shall not be considered as participation or interference in the management of the partnership or in any of its operations.

Article 44

- a) Any limited partner may have access to the books of the limited partnership, its accounts and the special registers recording the decisions taken regarding the management of the partnership. He may also discuss such matters with the general partners or with the managers of the partnership.
- b) Any limited partner may voluntarily relinquish his share in the partnership to another person. The recipient, in this event shall become a limited partner or a general partner with the consent of all the partners.

Article 45

A new general partner may be admitted to the limited partnership with the consent of all the general partners, or with the consent of the majority of them should the partnership agreement allow such an admission. The approval of the limited partners is not required in such a case.

Article 46

Any disagreement arising out of the management of the partnership shall be resolved by the majority of the general partners or all of them. However any change or modification of the businesses of the partnership shall not be made without the consent of all the general partners.

Article 47

A general partnership shall not be dissolved due to the bankruptcy of a limited partner. A lawsuit by a limited partner for the dissolution of the partnership shall not be considered.

Article 48

Limited partnerships shall be subject to the provisions governing the general partnerships, which are stipulated in this law, in all matters and cases which are not provided for in this (Part).

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Part Three
Joint Venture

Article 49

- a) A joint venture is a commercial undertaking organised as an association of two persons or more. One partner shall carry out the operations of the Joint Venture and shall deal expressly with the others. The joint venture as such is limited to the special relationship between the partners. The existence of such a partnership may be evidenced by all means of documentation.
- b) A joint venture is not a separate legal entity and is not subject to the provisions and procedures of registration and licensing.

Article 50

The silent partner in a joint venture shall not be considered a merchant unless he personally carries out commercial transactions.

Article 51

Third parties do not have the right of any course of action to any partner except to the one they dealt with in the joint venture. Should any other partner confess to the existence of such a company or should he notify others of its existence, the company may then be considered as an existing company and the partners therein shall become jointly responsible towards third parties.

Article 52

A joint venture agreement shall specify the rights and obligations of all partners therein towards each other and towards the joint venture and the manner in which profits and losses are to be distributed amongst them.

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Part Four
Limited Liability Company

Article 53

- a) With due regard to what is stipulated in paragraph (b) of this article, a limited liability company is a company that has a number of partners not less than two and not more than fifty. The liability of each partner for the debts and obligations of the company is limited to his share in the capital thereof.
- b) Upon the death of a partner in the limited liability company, his share shall be transferred to his heirs whatever their number may be. The legatee who is entitled to any share or shares in the company shall be treated in the same manner as the heirs.

Article 54

The capital of the limited liability company shall be expressed in Jordanian dinars provided that the capital is not less than Thirty Thousand dinars. The aforesaid capital shall be divided into individual shares of equal nominal value of not less than one dinar. However, should more than one partner jointly own such shares, for any reason, the partners must select one person from amongst them to represent them with the company. But if the partners do not come to an agreement or do not make that election within thirty days from the date they become partners in such share, they shall be represented by the person elected from amongst them by the company's director or its board of directors.

Article 55

The name of the company shall be derived from its objectives provided that it is followed by the words "limited liability". The name of the company and its capital must be stated on all of its stationery, publications and contracts concluded thereby.

Article 56

The limited liability company shall not have the right to offer its shares for public subscription or to increase its capital or borrow in this way. The company is also not permitted to issue negotiable shares or bonds. The transfer of a partner's shares is subject to the conditions incorporated in its articles of association and in the provisions stipulated in this law.

Article 57

- a) The application to incorporate the limited liability company shall be submitted to the Controller along with the company's memorandum and articles of association on the approved forms for this purpose, and shall be signed before the Controller or before any person delegated in writing by the Controller or before a notary public.

b) The limited liability company's memorandum shall incorporate the following particulars :

1. Name of the company, its objectives and its head office.
2. Names of the partners, their nationalities and addresses of each of them.
3. Amount of capital and the shares of each partner therein.
4. Statement of the share or shares received in kind, name of the partner who presented such shares and their estimated values.
5. Any other additional data which the partners may submit or which the Controller may request.

c) The articles of association of the limited liability company must include the information provided for in paragraph (b) of this article in addition to the following information :

1. Manner of managing the company, number of its managers, and their powers.
2. Conditions for relinquishing the shares in the company and the procedures to be followed in that respect and the form of writing the relinquishment.
3. The manner of distributing its profits and losses to partners.
4. Meetings of the company's general assembly, its legal quorum, and the quorum needed for taking decisions thereby and procedures to be followed for holding the said meetings.
5. Rules and procedures pertaining to the liquidation of the company.
6. Any other additional information furnished by the partners or requested by the Controller.

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Article 58

- a) The amount of the share capital of the limited liability company which is paid in-cash shall be deposited with one of the banks in the Kingdom and shall not be handed over to anyone except to the manager of the company or its board of directors after producing the necessary evidence which proves the registration of the company and the publication thereon. But the value of the share or shares in kind, which are offered by any one of the partners, shall be estimated by the promoters of the company and shall be stated in the company's memorandum and articles of association in addition to the kind of each share and the name of each partner offered such shares.
- b) The Controller must, prior to submitting his recommendation to the Minister for obtaining his approval for the registration of the company, appoint an expert or a committee of experts to estimate the value of the share or shares in kind. The expert committee's decision shall be final and the company shall bear the expenses of that estimation and also the remuneration of the experts as determined by the Minister.

Article 59

- a) The Minister upon the recommendation of the Controller shall issue a resolution approving the registration of the limited liability company if the particulars stated in its memorandum and articles of association do not violate the provisions stipulated in this law, and the regulations issued in line therewith, and also do not contravene any other legislation in force in the Kingdom.
- b) After the issuance of the Minister's resolution to approve the registration of the limited liability company, the Controller shall undertake the completion of the publication thereof as stipulated in this law and the regulations issued in line therewith. The Controller shall carry out the aforesaid after being satisfied from the banking documents and other documents produced by the partners that not less than 50% of the company's capital has already been paid, and that the remaining 50% shall be paid in two equal instalments during the two years following the registration of the company.

Article 60

- a) A limited liability company shall be managed by a manager or a board of directors whose members are elected from among the partners. The number of these members must not be less than two and not more than five. In all the cases, the term of the elected manager or the board of directors is two years. The board of directors shall elect a chairman and a deputy chairman.
- b) The manager or the board of directors of the limited liability company shall have complete authority in the management of the company. The transactions and actions which the manager or the board of directors carry out or exercise in the name of the company and within the limits of their powers shall be binding on the company.

Article 61

The manager of the limited liability company or any one of the members of the board of directors shall be responsible to the company, partners and others for his violation of the provisions of this law, the regulations issued in line therewith and the company's memorandum and articles of association.

Article 62

The manager of the limited liability company or its board of directors must prepare the company's annual balance sheet and its final accounts including the profit and loss account and the annual report on the activities, progress and projects of the company and submit the aforesaid to the company's general assembly and the Controller together with appropriate recommendations. This should be done within the first three months of the company's new fiscal year.

Article 63

The manager of the limited liability company or any member of the board of directors shall be prohibited from undertaking any of the following actions, or otherwise he shall be discharged from his duties and shall be obliged to compensate for any damage that may have been incurred by the company or the partners due to his actions of the

- a) To occupy any post whether for monetary compensation or not in any other company with similar objectives unless he obtains the approval of the majority vote of 75% of the general assembly.
- b) To carry out a trade similar to that carried out by the company, whether for his account or for the account of others, with or without payment, unless he obtains the approval of a majority vote of 75% of the general assembly.

Article 64

- a) The general assembly of a limited liability company is composed of all the partners therein. The general assembly shall hold one annual meeting during the first four months of the company's fiscal year upon the invitation of either its manager or board of directors and in the place and on the date specified.
- b) The general assembly of a limited liability company may at any time hold one or more extraordinary general meetings upon the request of its manager or board of directors to consider issues presented for its consideration in accordance with the provisions of this law. The company's general assembly shall also be obliged to hold an extraordinary meeting upon the request of a number of partners who own at least 25% of the company's capital or upon the request of the Controller should he receive a request from partners owning at least 15% of the company's capital and if he is satisfied with the reasons the said partners have indicated in their request.
- c) Any partner in a limited liability company, irrespective of the number of shares he owns in the company's capital, shall have the right to attend the ordinary and extraordinary meetings of the general assembly and to discuss issues presented to the assembly and to vote on the resolutions thereof. The said partner may delegate another partner in the company to represent him in such meetings.
- d) Each partner in a limited liability company shall be notified to attend the meetings of the general assembly whether these meetings are ordinary or extraordinary. Invitations shall be delivered by hand against a signature of receipt, or shall be sent via registered mail at least fifteen days prior to the date set for each meeting. Each partner shall be considered as having been notified within a period not exceeding six days from the date of mailing the said invitation via registered mail to his address previously given by him to the company.
- e) The Controller shall not be invited to attend nor is he required to attend the meetings of the general assembly of the limited liability company whether these meetings are ordinary or extraordinary. However, the company's manager or board of directors must furnish the Controller with a copy of the minutes of each meeting signed by the chairman and the secretary thereof within ten days from the date of holding that meeting.

Article 65

- a) An ordinary meeting of the general assembly of a limited liability company shall be considered legal with the presence of partners holding shares amounting to over 50% of the company's capital whether these partners attend in person or through their representatives. If such a quorum is not present within one hour from the starting time set for the meeting, the said meeting shall be postponed and another meeting shall be held within ten days from the date of the first meeting. The absent partners shall again be notified of the postponement. The second meeting shall be deemed legal regardless of the number of attending partners or the shares they own in the company's capital.
- b) An extraordinary meeting of the general assembly of a limited liability company shall be deemed legal with the presence of a number of partners representing at least 75% of the company's shares whether the partners have attended in person or through their representatives. ~~But if such a quorum is not present within one hour from the time set for the extraordinary meeting, then it shall be postponed to be held within ten days from the date of the first meeting. The absent partners shall again be notified of the postponement. The second meeting shall be considered legal with the presence of partners holding at least 50% of the company's capital attending in person or through representatives. Should a quorum not be present, the meeting shall be cancelled, whatever the reasons for calling the meeting.~~

Article 66

- a) The agenda for the annual ordinary meeting of the general assembly of a limited liability company shall include the following :
1. Discussion of the report of the manager or the board of directors on the company's activities, operations and financial position during the past fiscal year.
 2. Discussion and approval of the balance sheet and the profit and loss account of the company after hearing and discussing the report of the auditors.
 3. Election of the company's manager or its board of directors whatever the case may be.
 4. Election of the company's auditor and determination of his remuneration.
 5. Any other matters which the company's manager or board of directors may present to the general assembly, or any matters presented by any partner which the general assembly accepts to discuss. Provided that none of these matters is of the type which can only be discussed in an extraordinary meeting in accordance with this law.
- b) The general assembly of a limited liability company shall adopt its resolutions regarding any of the issues stipulated in paragraph (a) of this article by unanimous votes of partners or majority votes of shares represented in the meeting, and each share shall have one vote.

Article 67

- a) The general assembly of a limited liability company shall be invited to an extraordinary meeting in order to discuss the following issues. None of these issues can however be discussed unless they have been stated in the agenda for this meeting.
1. Amendments of the company's memorandum and articles of association provided that the proposed amendments have been attached to the invitation.
 2. Increase or decrease of the company's share capital and determination of the share premium provided that the provisions stipulated in article (68) of this law are adhered to when decreasing the company's capital.
 3. Merger of the company with another company.
 4. Dissolution and liquidation of the company.
 5. Discharge of the company's manager or its board of directors.
 6. Sale of the company to another company.
- b) The general assembly of a limited liability company may, at its extraordinary meeting, also discuss any of the issues mentioned in article (66) of this law provided that the said issues are listed in the meeting's invitation. The assembly shall adopt its resolution by unanimous votes of the partners or majority of shares which are represented in the meeting.
- c) The general assembly of a limited liability company may adopt its resolutions regarding issues mentioned in paragraph (a) of this article by a unanimous vote or by a majority of not less than 75% of the shares represented in the meeting. Resolutions adopted by the general assembly regarding issues stipulated in items (1), (2), (3), (4), and (6) of paragraph (a) shall be subject to the provisions on approval, registration and publication which are provided for in this law.

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Article 68

- a) A limited liability company may decrease its capital if this exceeds its needs or if the company incurs losses amounting to more than 50% of the said capital provided that provisions of article (75) are adhered to in such a case.
- b) The Controller must publish an announcement, on three consecutive days in at least one daily newspaper, at the expense of the limited liability company, of the company's resolution to decrease its share capital. The company's creditors shall have the right to submit a written objection against the said decision to the Controller within fifteen days from the last date of publication of the said announcement. Any creditor shall also have the right to contest the decision regarding the decrease of the company's share capital before the Higher Court of Justice if the Controller fails to settle his objection within thirty days from the date of the submission of the said objection to.

Article 69

A limited liability company is exempted from publishing its annual balance sheet, its profit and loss account and a summary of the report of its manager or its board of directors in the local newspapers.

Article 70

- a) A limited liability company shall annually deduct 10% of its net profits for the statutory reserve and shall continue to deduct the same ratio each year provided that the total deducted amounts for the said reserve must not exceed the company's capital.
- b) The general assembly of a limited liability company may decide to deduct an amount not exceeding 20% of its annual net profits for the company's voluntary reserve fund. The general assembly may decide to either use this reserve for purposes identified by the company or it may distributed to partners as profit if it is not needed for those purposes.

Article 71

a) The limited liability company shall maintain at its head office a special register for the partners in which the following information pertaining to partners shall be recorded. The company's manager or its board of directors shall be responsible for this register and for the correctness of the information listed therein :

- 1. Names of partners, their nicknames, if they have any, nationalities, domiciles and addresses.
- 2. Number and value of shares owned by each partner.
- 3. Alterations that may occur on the partner's share/shares, its details and dates thereof.
- 4. Attachments or mortgages or any other restrictions that may exist on the partner's share or shares and the details related thereto.
- 5. Any other data the manager of the company or its board of directors decides to record in the register.

Each partner is entitled to have access to the register either in person or through authorised representative in writing.

b) The manager of a limited liability company or its board of directors must annually provide the Controller with the particulars included in the partners register which is provided for in paragraph (a) of this article, during the first month following the end of the company's fiscal year. The said manager or board of directors must also notify the Controller of any changes or alterations which occur to the said data within a period not exceeding thirty days from the day the change or the alteration occurs.

Article 72

- a) Any partner in a limited liability company may assign his share or his shares to any of the partners or to others per a certificate of assignment in accordance with the company's articles of association. This assignment shall not be considered to be legally binding, unless it is recorded in the company's register and after it has been authenticated with the Controller through registration, publication and collection of the required fees therefore.
- b) Any partner may assign or sell his share or shares in the capital of the limited liability company to another partner without the approval of the remaining partners or the manager of the company or its board of directors.

Article 73

- a) Should any of the partners in a limited liability company wish to sell or assign his share, then he must submit a request regarding this matter to the manager of the company or its board of directors. The said partner must state in that request the selling price he is requesting and the partners shall have a pre-emptive right to purchase these shares based on the offered price.
- b) If the partners decline to purchase these shares based on the offered price within fifteen days from the date of submitting the request, the partner wishing to sell shall have the right to sell his share to outsiders at the price offered to partners as a minimum.
- c) If it becomes evident to the partners that the price offered by the partner wishing to sell exceeds the fair price of the share, the manager of the company or its board of directors may object in writing to the Controller requesting him to stop the sale of such shares to outsiders provided that such an objection shall be made during the period the shares are available for sale to partners; the Controller in such a case must appoint a committee of three experts to value the fair price of the shares offered for sale. The said committee shall make its decision with a unanimous or majority of vote and its decision shall be final and binding. Priority in this case shall be given to outsiders to purchase at the price determined by the committee. Should no one wish to purchase the shares, then the said shares shall by law be considered as sold to the existing partners for the price estimated by the committee.
- d) Should more than one partner wish to purchase the share or shares offered for sale in accordance with this article, whether at the price originally agreed upon or at the price estimated by the committee which the Controller has appointed, the said shares shall be divided among the partners wishing to purchase each in accordance with the ratio of his share in the company's capital.

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Article 74

- a) Should a court ruling be issued regarding an execution on the share or shares of any partner who is indebted to the limited liability company, in respect of its capital, a pre-emptiv right for purchasing such a share or shares shall be given to the remaining partners. But if none of the partners wishes to purchase the said share or shares, or agreement on the selling price has not been reached, then, the debtor's share or shares shall be sold at a public auction. Each partner in the company shall have the right to take part in that auction on an equal footing with outsiders to purchase the said share or shares for himself.
- b) The Minister shall issue regulations whereby the procedures needed for the implementation of the provisions of paragraph (a) of this article are determined.

Article 75

Should the losses of the limited liability company exceed 50% of its capital, the company's manager or its board of directors must invite the company's general assembly to an extraordinary meeting in order to decide on whether to liquidate the company or to keep it in business. However, should the company's losses amount to 75% of its capital, the company must be liquidated unless the general assembly decides in an extraordinary meeting to increase the company's capital so that losses do not exceed one half of the company's capital.

Article 76

A limited liability company shall be dissolved and liquidated in accordance with the rules and provisions provided for in this law for the liquidation of public shareholding companies.

Part Five
Limited Partnership in Shares

Article 77

A limited partnership in shares is composed of the following two categories of partners.

a) General Partners :

The number of general partners must not be less than two and each partner shall jointly be liable together with the remaining general partners for the company's debts and obligations in his personal property.

b) Limited partners :

The number of limited partners must not be less than two and each partner shall be liable for the company's debts and obligations to the extent of his share in the company's capital. Limited partners shall not have the right to participate or interfere in the management of the company.

Article 78

The company's capital must not be less than one hundred thousand Jordanian Dinars, divided into negotiable shares of equal value. The nominal value of each share is one Jordanian dinar. Provided that the company's capital offered for public subscription or private placement must not exceed two fold the share capital, subscribed by the general partners.

Article 79

The name of the limited partnership in shares shall be formed from the names of one or more of its general partners provided that the name is followed by the words: "A limited partnership in shares", in addition to a reference to its objectives.

Article 80

The registration of the limited partnership in shares shall be subject to the approval of the Issuing Committee in accordance with the provisions and procedures which shall be stipulated in the special regulations to be issued for this purpose.

Article 81

a) The limited partnership in shares shall be managed by one or more general partners whose number, authorities and duties are indicated in the company's articles of association. The manager of the limited partnership in shares or its managers, if there is more than one, shall be subject to the same provisions stipulated in this law for the members of the board of directors of public shareholding companies.

- b) If the position of the manager of the limited partnership in shares becomes vacant for any reason whatsoever, the general partners shall appoint a manager from amongst them. In the event they fail to do so, the supervisory council which is provided for in article (84) of this law must appoint a provisional manager to undertake the management of the company, provided that the partnership's general assembly shall be called upon to convene within thirty days from the date of the appointment of the provisional manager to elect a manager from among the general partners.

Article 82

Provisions for general partnerships as stipulated in this law shall apply to the general partners in the limited partnerships in shares including the provisions relating to the following :

- a) Joint and several liability of partners for the partnership's debts and obligations in their personal properties.
- b) Relationship of general partners with one another and with others.

Article 83

- a) The general assembly of a limited partnership in shares is composed of all the general and the limited partners. Each one of the partners shall have the right to attend ordinary and extraordinary meetings of the general assembly, to discuss the matters presented before the assembly and to vote on its resolutions. Each partner shall have a number of votes in the general assembly equal the number of his shares in the partnership's capital.
- b) Provisions for ordinary and extraordinary meetings of general assemblies of public shareholding companies which are stipulated in this law shall apply to the meetings of general assemblies of limited partnerships in shares.

Article 84

Each limited partnership in shares shall have a supervisory council of which the number of its members is not less than three, to be elected annually by the limited partners from amongst them in accordance with the procedures stipulated in the partnership's articles of association. The general partners shall not have the right to take part in the election.

Article 85

The supervisory council of the limited partnership in shares shall assume the following duties and responsibilities :

- a) To supervise the progress of the partnership's operations, to verify the correctness of the formation procedures thereof and to request the partnership's manager to furnish the council with a detailed report on the said operations and procedures.

- b) To examine the partnership's records, registers, contracts and to make an inventory of the partnership's funds and assets.
- c) To give advice on issues that the council deems important to the partnership or on matters submitted thereto by the manager or the managers.
- d) To approve any actions and business which the articles of association of the partnership states that the execution thereof needs the approval of the council.
- e) To invite the partnership's general assembly to extraordinary meetings should it become evident to the council that violations have been made in the course of managing the company, and these must be put before the general assembly.

Article 86

The supervisory council of a limited partnership in shares must submit to the limited partners at the end of each fiscal year a report on the supervision activities carried thereby and their results. The report shall be put before the partnership's general assembly in its annual meeting. A copy of the said report shall be sent to the Issuing Committee.

Article 87

Each limited partnership in shares shall have an auditor to be elected by its general assembly. The provisions concerning auditors in public shareholding companies stipulated in this law are also applicable to the said auditors.

Article 88

The limited partnership in shares shall be dissolved and liquidated for the same reasons the limited partnerships are dissolved and liquidated. It shall be dissolved upon the withdrawal, death, legal incompetence or bankruptcy of the general partner who assumes the management of the partnership unless the articles of association state otherwise or if the remaining general partners approve to continue in business and obtain the approval of not less than a 75% majority vote of the shares represented in the company's extraordinary meeting of the general assembly.

Article 89

The provisions for public shareholding companies stipulated in this law shall govern limited partnerships in shares in all issues that are not provided for in this "Part".

Part Six
Public Shareholding Companies

Chapter One
Formation and Registration of a
Public Shareholding company

Article 90

- a) A public shareholding company shall consist of not less than two promoters who subscribe to negotiable, transferable and merging shares in accordance with the provisions of this law.
- b) The name of the public shareholding company is derived from its objectives provided that wherever the name appears it shall be followed by the words "Public Shareholding Company Limited". The company must not be registered in the name of a natural person unless the objective of the company is the exploitation of a patent duly registered in the name of the said person.
- c) The period of the public shareholding company is unlimited except if the objective of the company is to carry out a particular business in which case the period thereof shall end upon the completion of that business.

Article 91

The financial affairs of a public shareholding company is independent of the financial affairs of its shareholders. The company will solely, with its assets and properties, be liable for its debts and obligations and the shareholders shall not be personally liable for the company's obligations except to the extent of any unpaid balance of the instalments of shares owned by each of them.

Article 92

The promoters of a public shareholding company shall elect from among them a committee to be called "The Promoters Committee" which consists of not less than two members and not more than five and shall undertake the following duties :

- a) To appoint committee members who are authorised to sign on its behalf in financial matters related to the formation of the company and the special procedures therefore. The Promoters Committee must submit names of these authorised members together with samples of their signatures to the banks and financial institutions at which the subscription to the company's shares will be made in order to accredit the said signatures.
- b) To enter into agreements with specialised and expert parties to prepare the feasibility study for the business to be carried out by the company or to lay down its memorandum and articles of association.
- c) To make contracts with underwriters, marketing officers and the company's auditors during the company's formation stage.
- d) To sign on any amendments to be made to the company's memorandum and articles of association prior to the Minister's decision regarding the company's registration application.

- e) To open a special account with one of the banks in the name of the promoters committee to deposit the sums of money paid by the promoters. The committee shall have the right to specifically spend from this account for the company's formation procedures only.
- f) To maintain special registers for recording all resolutions adopted in addition to all actions and work achieved thereby.

Article 93

- a) A committee called the "Issuing Committee" shall be formed as follows :
 1. Undersecretary of the Ministry of Industry and Trade-Chairman.
 2. Deputy Governor of the Central Bank of Jordan-Deputy Chairman.
 3. Undersecretary of the Ministry of finance-Member.
 4. General Manager of Amman Financial Market-Member.
 5. The Companies Controller-Member and rapporteur of the committee.
 6. Four experienced and specialised persons from the private sector of whom two shall be nominated as members by the association of the Chamber of Commerce and the Amman Chamber of Industry respectively. The other two members shall be appointed pursuant to a resolution by the Council of Ministers upon the recommendation of the Minister. The term of the private sector members is two years and is subject to renewal for only one additional period.
- b) The Issuing Committee shall hold its meetings at least once every month or whenever the need arises upon the invitation of the committee's chairman or his deputy, if the chairman is absent. The meetings of the Issuing Committee shall be considered legal if attended by at least five of its members provided that the chairman or his deputy, in case of the chairman's absence, is among them. The committee shall adopt its resolutions with unanimous voting or with the approval of four present members. If votes are equal, then the chairman shall have a casting vote.
- c) Procedures needed for carrying out the duties of the issuing committee, the administrative and executive staff needed thereby and remuneration to be paid to its chairman and members shall be determined in special regulations to be issued pursuant to this law.

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Article 94

The Issuing Committee shall exercise the authorities provided for in this law, particularly the following :

- a) Organising dates of issuance of securities in coordination with the Market in a manner that guarantees the stability of the capital market.
- b) Approving the prospectuses and their conditions after being studied and examined by the Market in addition to verifying the correctness of the statements and information included in the notices relating to these prospectuses.
- c) Proposing the legislations and policies needed for organising the capital markets and the means necessary for the implementation of the said legislations and policies in addition to submitting recommendations to the Minister and the concerned bodies regarding this matter.

Article 95

A public shareholding company shall be registered in accordance with the following procedures :

- a) The committee of promoters shall submit an application in the prescribed format to the Controller requesting the formation of the company.

The following documents must be attached to the application :

1. The company's memorandum of association.
 2. The company's articles of association.
 3. A list of the names of the company's promoters.
 4. A feasibility study for the businesses to be carried out by the company.
- b) The memorandum and articles of association of the company must include the following :
 1. The company's name.
 2. The company's head office.
 3. The company's objectives.
 4. Names of promoters, their nationalities, addresses, experiences and number of shares subscribed by each one of them.
 5. The company's share capital divided into equal shares, the value of each being one Jordanian Dinar.
 6. A list indicating the offerings in kind, if any and their value.

- c) Each promoter shall affix his signature on the memorandum and articles of association of the public shareholding company in the presence of the Controller or before any person authorised in writing by the Controller. However, promoters may sign the said memorandum and articles before a notary public.

Article 96

The following operations cannot be undertaken except by public shareholding companies which are formed and registered in accordance with the provisions of this law.

- a) Operations carried out by banks, financial institutions and various insurance activities.
- b) Companies enjoying franchises.

Article 97

- a) The Minister shall, upon the recommendation of the Controller, make his decision regarding either the approval of the registration of the company or the rejection thereof within thirty days from the date the Controller submits his recommendation. The Controller in his turn must also make his recommendation within thirty days from the date of submission of the promoters application.
- b) The Minister may, in cases he deems necessary, refer the registration application to the Issuing Committee to seek the advice thereof prior to his approval of the registration.
- c) The Issuing Committee must give its advice within thirty days from the date the application was referred thereto.
- d) Should the Minister refuse to register the company, the promoters shall have the right to contest his decision before the Higher Court of Justice.

SECRET
Shirley Murray

Chapter Two
Capital and Shares of the
Public Shareholding Company

Article 98

- a) The capital of a public shareholding company shall be expressed in Jordanian Dinars, and must not be less than (500,000) five Hundred Thousand Dinars. The capital shall be divided into shares of equal value with nominal value of one Jordanian dinar each.
- b) Shares of public shareholding companies are nominal.
- c) Public shareholding companies already operating prior to this law coming into effect are excluded from the provisions of this article.

Article 99

The shares of a public shareholding company shall not be divisible. However, the heirs may jointly own one share as the successors of their predecessor. This rule is also applicable to heirs if they have jointly inherited more than one share, provided that they should in both cases elect one of them to be their representative before the company. Should the heirs fail to do so within the period determined by the company's board of directors, the board shall appoint one from among them to be their representative.

Article 100

- a) Shares of a public shareholding company are cash shares, the value of which shall be paid in either one cash payment or in cash instalments within a period not exceeding four years from the date the company acquires the right to commence its operations. The company's shares may be in kind which are allotted against payments in kind having a determined value in accordance with the provisions of this law. Concessions, patents and all forms of intangibles are considered offerings in kind.
- b) Notwithstanding the provisions of paragraph (a) of this article, the Minister may, on the recommendation of the Controller postpone the payment of the uncalled share instalments for a period not exceeding two years from the date of its maturity.
- c) Shares of a public shareholding company shall be serially numbered, equal in rights and obligations, and no discrimination should ever be made between them.

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Article 101

- a) A public shareholding company shall keep one or more registers in which names of shareholders, number of shares owned by each of them, serial numbers of their shares, transfer of shares and any other information on the above mentioned and on the shareholders shall be recorded therein. The company may deposit a copy of these registers with a third party to follow up the affairs of the shareholders and may authorise that party to keep and organise these registers to follow up the affairs.
- b) Any shareholder of the company may have access to the shareholders' register described in paragraph (a) of this article. Any other concerned or interested person may request the permission of the board of directors to inspect the said register. Should the board decline that request for any reason whatsoever, the Controller may ask the board to allow the said person to inspect the register and the board in this case must respond positively to the Controller's request.

Whinney Murray & Co

Chapter Three
Subscription and Underwriting of Shares
in the Public Shareholding Company

Article 102

- a) The promoters of any public shareholding company must, at the time of signing the company's memorandum and articles of association, underwrite the proportion specified in the company's articles of association of the value of the shares for which they have subscribed, provided the said proportion is not less than 20% of the company's capital, and not more than the following :
1. 50% of the capital of banks, financial institutions, and various kinds of insurance companies.
 2. 75% of the capital of other public shareholding companies.
- b) In all cases stipulated in paragraph (a) of this article, the share of each promoter must not exceed 10% of the total share capital of the company except if the promoter is the government or a public corporate body. However the council of Ministers may, upon the recommendation of the Minister, exempt any corporate body from the provision of this paragraph.

Article 103

Shares of promoters shall not be disposed of before the lapse of at least two years from the date of granting the company the right to commence business, and any act in violation of this article is considered void. This restriction shall not prevent the transfer of promoters' shares by inheritance or between spouses, ancestors and descendants or among the promoters themselves. The promoters' shares certificate shall contain the words of "not negotiable" on the reverse, and this must also be recorded in the shareholders' register.

Article 104

- a) Before offering shares of a public shareholding company for public subscription, the Promoters Committee must prepare a prospectus, in accordance with the requirements determined by the Market which should be approved by the "Issuing Committee".
- b) The Promoters Committee shall offer the shares of the public shareholding company for public subscription through the prospectus which has already been prepared in accordance with the provisions of paragraph (a) of this article. The "Promoters Committee" shall arrange an advertisement on three consecutive days in at least two local daily newspapers at least seven days prior to the date set for the subscription. The Issuing Committee must approve the text, the data and particulars of the announcement before it is published. The announcement should be published on days other than public holidays or it shall be considered void.

Article 105

The promoters of a public shareholding company are not allowed to subscribe for shares offered to the public. However, if there are remaining unsubscribed shares after the lapse of three days from the closing date then the promoters shall be allowed to underwrite these shares.

Article 106

The promoters' committee may engage an underwriter to underwrite a subscription of a public shareholding company shares in accordance with an agreement approved by the Issuing Committee. The significant elements and main conditions of the agreement shall be included in the prospectus.

Article 107

- a) Subscriptions to shares in a public shareholding company shall be made at banks and financial institutions which are licensed to accept subscriptions to securities provided that the number of these banks and financial institutions shall not be less than five. Subscription shall be made in accordance with any procedural instructions issued by the Minister provided that the said instructions do not contravene the provisions of this law.
- b) Banks or financial institutions are not permitted to accept subscriptions in securities issued by themselves for increasing their capital or their borrowings.

Article 108

- a) It is not permitted to have the name of more than one person in a subscription application unless it is a corporate body. Fictitious subscriptions or subscriptions in fictitious names are prohibited and will be considered invalid.
- b) Banks and financial institutions at which the subscription for shares of public shareholding companies is made must take the necessary measures and precautions to carry out the subscription procedures in a manner that is in line with both the provisions of this law and the resolutions, rules and regulations which are issued for its implementation thereof.

Article 109

- a) The subscription period shall continue for a period of not less than twenty days and not more than ninety days. If the subscription does not amount to at least two thirds of the capital of the company, then the promoters must undertake one of the following measures within thirty days from the closing date of the said period if the company does not have an underwriter :
1. Cancel the formation of the company and in such a case banks and financial institutions must refund the monies paid by subscribers in full. The promoters shall jointly and severally be liable for the incorporation cost incurred.

or

2. The promoters themselves or agree with others should subscribe for the remaining shares of the company to the extent that brings up the total subscription to not less than two thirds of the capital, without offering these shares for public subscription.
- b) If the company has an underwriter, the unsubscribed shares after the closing date of subscription shall become the underwriter's property and he shall pay the company their values in accordance with the underwriting agreement concluded between the two parties.

Article 110

The promoters' committee must, within a maximum period of 30 days from the closing date of the public subscription, provide the Controller with a statement of bank documents supporting the subscription results, together with listings of the names of the subscribers and the amount of the shares subscribed by each of them.

Article 111

If the subscription exceeds the number of shares offered for public subscription, the promoters' committee must, with the supervision of the Controller, allocate the offered shares in proportion to the shares subscribed by each subscriber.

Article 112

- a) The Promoters' Committee shall be held responsible for refunding the money, in excess of the value of the public shareholding company's shares offered for public subscription, to the subscribers within a maximum period of thirty days from the closing date of the said public subscription. Should the Promoters' Committee fail to do so for any reason whatsoever, then the subscribers who are due refunds shall become entitled to receive interest thereon equal to the highest interest rate determined by the Central Bank on time deposits. This interest shall be computed on the said amounts as from the beginning of the month following the thirty days stipulated in this paragraph.
- b) The banks and financial institutions, at which the subscription for the shares of the public shareholding company takes place, shall not allow the Promoters' Committee after the closing date of subscription to withdraw any of the subscribed amount held with these banks and financial institutions, except for the amounts to be refunded to subscribers in accordance with the provisions of paragraph (a) of this article. The remaining amounts which will be left after refunding these excess amounts to the subscribers shall be at the disposal of the company's first board of directors upon its election.

Article 113

The Issuing Committee may approve to issue public shareholding companies shares through a private placement and to allow promoters to underwrite the company's shares in full among themselves or together with outsiders without offering the said shares for public subscription if the company is listed under one of the following :

- a) Companies formed in the Kingdom in accordance with agreements concluded between the government and another state, and joint Arab companies emerging from the Arab league or the institutions and organisations affiliated therewith.
- b) Holding companies
- c) Mutual fund companies
- d) Other companies which the Issuing Committee decides to apply the provisions of this article thereon.

Article 114

- DRAFT**
- a) The Promoters' Committee must, within sixty days from the closing date of the public subscription, invite all shareholders of the public shareholding company to a meeting of the statutory assembly. If the Promoters' Committee fails to call for such a meeting within that period, the Controller shall do so at the company's expense. In either case, the invitation must be issued at least fourteen days prior to the date set for the meeting of the statutory assembly.
 - b) Invitations to meetings of the company's statutory assembly shall be governed by the same provisions as invitations sent for the meetings of the company's general assembly which are provided for in this law.

Article 115

- a) The statutory assembly of a public shareholding company shall be presided over by one of the promoters' committee members who will conduct the meeting and sign its minutes.
- b) The meetings of the statutory assembly shall be considered legal if attended by subscribers holding more than 50% of the company's subscribed shares. Should such a quorum not be present, the promoters' committee shall invite shareholders to another two meetings each of which shall be considered legal if attended by subscribers holding not less than 40% of the company's subscribed shares. But if such a quorum is not present in the second and third meetings, the formation of the company shall, by law, be considered as cancelled and the subscribed monies shall be refunded to the subscribers after deducting the formation expenses as approved by the Issuing Committee.

Article 116

The statutory assembly shall undertake the following duties once the quorum needed thereby as stipulated in paragraph (b) of article (115) of this law is present at any meeting it holds pursuant to this article :

1. Study the report submitted by the promoters, which must include detailed information and data on all formation process and procedures supported by the relevant documents, and ascertaining the correctness of the said information and data and the extent of its compliance with this law and the company's articles of association.
 2. Endorsing the estimate of the values of shares in kind offered by the promoters, as assessed by the committee of experts.
 3. Study the formation expenses, conducting a discussion on the said expenses and adopting the necessary resolution therefore.
 4. Elect the company's first board of directors.
 5. Elect the company's auditor or auditors and assigning their remuneration.
 6. Announcing the final formation of the company.
- b) The statutory assembly shall adopt its resolutions with majority votes of shares represented at the meeting. Subscribers who hold shares in kind shall have no right to vote on resolutions relating to these shares.

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Whitney Murray & Co.

Article 117

The powers and duties of the Promoters' Committee shall come to an end as soon as the company's first board of directors is elected. The said committee must hand over all documents, registers and confidential documents of the company to this board.

Article 118

Should shareholders holding at least 20% of the shares represented at the meeting of the company's statutory assembly object to any of the items of the formation expenses, the Controller must ascertain the reasonableness of that objection and reach a settlement thereto. If for any reason whatsoever, the Controller is unable to do so, the shareholders who submitted the objection may file a suit with the court.

Article 119

- a) The chairman of the company's first board of directors must provide the Controller with a copy of the minutes of the statutory assembly's meeting, which includes the decision of the final formation of the company and the documents and information presented by the promoters Committee to the statutory assembly.

- b) Should it become evident to the Controller that the public shareholding company has neglected during its formation stage to comply with any text or legal judgement or has violated that text or judgement, then he shall send a written notice to the company to correct its legal status within three months from the date of the notice. If the company does not abide by the Controller's request, the Controller then shall refer the matter to the court.
- c) Should the Controller become satisfied after examining the documents presented thereto in accordance with paragraph (a) of this article that the procedures followed for the formation of the public shareholding company are legally proper, then he shall notify the company in writing of its right to commence businesses and shall also send a copy of that notice to the Financial Market.

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Chapter four
Ownership and Negotiation of shares

Article 120

- a) Once the public shareholding company commences its operations, the board of directors shall issue temporary certificates to shareholders which evidencing the number of shares owned by each of them and the paid up portion of their shares. These certificates shall be stamped with the company's seal and signed by the persons authorised to sign.
- b) Following the full payment of the value of the shares, the board of directors of the public shareholding company shall issue share certificates to shareholders, evidencing the number of the company's shares which they hold. The said certificates will replace the temporary certificates stipulated in paragraph (a) of this article. These certificates shall be stamped with the company's seal and signed by the persons authorised to sign. The issuance of such certificates by the company is a confirmation that it has received the full value for the shares appearing in the said certificates, provided that the certificates include the following :
 1. Name of the company and address of its head office.
 2. Name of the shareholder, number of his shares and nature of his participation.
 3. Serial numbers for the share certificates.

Article 121

Share certificates shall be published for the following denominations:

- a) One share
- b) Five shares
- c) Ten shares
- d) One hundred shares
- e) Five hundred shares
- f) One thousand shares
- g) Ten thousand shares
- h) Fifty thousand shares
- i) One hundred thousand shares

Article 122

The shareholder may pay any share instalment before its maturity date. The prepaid instalment shall be credited to a special account with the company. The shareholder or any other outsider shall not have the right of a refund for such an amount and the shareholder shall also not be entitled to earn any dividends or collect interest thereon.

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Article 123

- a) The shareholder is a debtor of the company for the instalment which has not been paid up on any of his shares. If the shareholder does not pay the payment due, the board of directors shall have the right to collect interest thereon at a rate fixed by the Central Bank of Jordan.
- b) Should the shareholder continue to default on settling the said instalment with the accrued interest thereon, the board of directors shall have the right at any time to sell the shares on which instalments have become due in accordance with the following procedures :
 1. The company shall send to the shareholder via registered mail a notice to his address as recorded, demanding settlement of the instalment due, with interest accrued thereon up to the date of the notice, within thirty days from the date of his notification. The shareholder shall be considered as being notified after the lapse of ten days from the date of sending the said notice by registered mail.
 2. Should the shareholder fail to settle the due amount during the period assigned in item (1) of this paragraph, then the company's board of directors shall have the right to offer the share(s) on which the said amount has become due for sale by a public auction after the lapse of twenty days from the end of the notice period, whether the said shares are negotiable at the Financial Market or not. The company's board of directors must announce the date of sale in at least two local daily newspapers.
 3. The instalment(s) due on the share(s) and the interest accrued thereon up to the date of sale, in addition to any other expenses incurred by the company during the sale process, shall be collected by the company from the proceeds of the sale of the said share(s). The remaining amount of proceeds shall be refunded to the former shareholder. If the proceeds of sale are insufficient to settle the instalment and accrued interest thereon, and the sale expenses, the company shall have the right of recourse against the former shareholder for the balance. The company's records and registers shall be considered as evidence thereon.

Article 124

- a) The shares in a public shareholding company following the payment of at least 50% of its nominal value shall become negotiable in the Financial Market in accordance with the provisions specified in the market law. However, the public shareholding company may not purchase its own shares unless these shares have become its property as a result of the merger of another company therewith, or as a result of purchasing the shares of another company the public shareholding company has already obtained shares in its capital. The public shareholding company must in any of the aforementioned two cases dispose of these shares within two years from the date of the merger of the other company or from the date it purchases the shares, whatever the case may be.

105

- b) Rights and obligations of both the seller of shares in a public shareholding company and the purchaser thereof shall pass at the date of concluding the sale contract at the Financial Market. The Market must notify the company of the concluded contract within a maximum of three days from the date of the contract. The company must document the ownership of the sold shares and record the transfer of the said ownership in its registers. If a court ruling is issued to attach certain shares or to impose any other restrictions thereon which restricts the disposal of such shares, the company must, before executing the said ruling, inquire whether the ownership of any of these shares has been transferred at the Market to a person other than the shareholder prior to the date on which the court ruling has been issued.
- c) With due regard to the provisions of paragraph (b) of this article, the company must record the transfer of ownership in its registers within three days of the date the company receives the sale contract. The shares shall legally be considered as recorded after the lapse of three days from the date the company has received the contract of ownership transfer of the shares.

Article 125

Negotiation of shares in a public shareholding company in any of the following cases shall be considered null and void

- a) If the shares have been mortgaged, or attached or distrained, or are under any restriction which prevents the disposal thereof. The company shall be responsible for selling the mortgaged or the attached shares which have not been noted as such.
- b) If the share certificate has been lost.
- c) If the share is a promoter's share and two years have not elapsed after granting the company the right to commence operations.
- d) In any other cases where the laws and rules prohibit the negotiation of the shares of any public shareholding company in the Market.

Article 126

- a) Any shares in a public shareholding company may be mortgaged and such mortgage must be recorded in the company's register and noted on the share warrant or certificate. The company shall have priority over others to collect in full the unpaid instalments due on the share, in spite of its being mortgaged, upon selling the said share in a public auction.
- b) The mortgage deed must specify the terms of the mortgage, and in particular the name of the party who will receive share dividends throughout the mortgage period.
- c) Notation regarding the mortgaged shares shall not be removed from the company's register or from the share warrant or certificate, unless an acknowledgement by the mortgagee that he has fully recovered his rights has been received, or is in accordance with a final court judgement except if the said share has been sold in a public auction in execution of a court order.

Article 127

If a court ruling has been issued regarding the attachment of any shares in a public shareholding company, or if such an attachment is made in execution of a resolution adopted by a competent official body, notation of the said attachment shall be entered in the register of the shareholders which is kept with the company following the company's notification of that resolution. The said notation of the attachment shall not be removed unless a resolution to this effect has been issued by the same body which issued the resolution for the attachment.

Article 128

The assets of the company may not be attached in order to secure personal debts of a shareholder or in settlement of any such debts. However, the shares and dividends of a debtor shareholder may be attached to secure or settle his debts.

Article 129

In all the cases in which the ownership of the shares in a public shareholding company is transferred to any other person, the new shareholder shall be given a certificate of the shares which have been transferred to him.

Article 130

Should a share warrant be lost or damaged, the registered owner as per the company's register may request the company to issue a new share warrant to replace the one which was lost or damaged. Notice of the loss must be published in two local daily newspapers indicating the serial numbers of the warrant and number of shares. If the lost or damaged warrant is not found, the company in such a case shall issue a new warrant to replace the lost one thirty days after the date of the notice.

Chapter Five
Shares in Kind

Article 131

- a) The promoters of a public shareholding company may offer, in exchange for their shares, payments in kind instead of cash. Concessions, patents and all intangibles and any other rights endorsed by the company's statutory assembly and approved by the Minister upon the recommendation of the controller shall be considered as payments in kind.
- b) Public shareholding companies whose capital includes shares issued for payments in kind shall not be registered except after the assessment of the value of these shares by a committee of specialised experts to be set up by the Minister for this purpose upon the recommendation of the Controller. The Minister shall determine the remuneration of the said experts, which expense the company will incur.
- c) The committee of experts must finish the assessment task and submit its report to the Minister within a period not exceeding ninety days from the date the Minister approves the formation of the said committee. The working period of the committee may be extended by another ninety days, upon the recommendation of the controller, should the nature of the assessment of such payments in kind require this extension.
- d) If it appears that the assessment of the committee of experts agrees or exceeds the valuation of the promoters for the payments in kind, then the formalities needed for the registration of the company shall be completed in accordance with the promoters valuation. But if it appears that the assessment of the committee of experts for the payments in kind is less than the promoters' valuation, the promoters in this case must either reduce the number of shares to conform with the assessment of the committee of experts or offer additional payments in kind to be estimated by the same experts in accordance with the aforesaid rules.
- e) Should the promoters not approve the assessment of the payments in kind made by the committee of experts, the Minister may, upon the recommendation of the controller, refuse to register the company or he may set up another committee of experts. The assessment of the second committee shall be considered final. If the promoters do not approve the said assessment, the Minister must refuse to approve the payments in kind.

Article 132

Shares issued for payments in kind in a public shareholding company are to be serially numbered. Certificates designed for these shares must indicate that the shares are "shares in kind". These certificates shall not be handed over to shareholders except after the completion of the legal procedures for handing over the payments in kind to the company, and the shares as such shall be considered as fully paid shares. The date of issue of these shares shall be the date on which the company's general assembly has approved them.

Article 133

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Article 134

Shares issued by a public shareholding company which has been formed from the merger of another company therewith, shall be considered to be shares in kind. Unlike the shares stipulated in article (133) of this law, these shares shall be immediately negotiable if the merged company had previously negotiated such shares prior to the merger.

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Chapter Six
Increasing the Share Capital of a
Public Shareholding Company

Article 135

- a) A public shareholding company has the right to increase its share capital, provided that its authorised capital has been fully paid up. The Minister may upon the recommendation of the Controller approve an increase in the company's share capital if at least 80% of its authorised capital has been paid. The Minister, in such a case, may allow the company to fund the remaining portion of its authorised capital from its voluntary reserve or from accumulated profits. In some other extraordinary cases, which the Council of Ministers may approve upon the recommendation of the Minister, the share capital of the public shareholding company may be increased regardless of the paid up ratio of the company's authorised capital if the government owns not less than 25% of the company's share capital.
- b) The company's board of directors should submit to the Controller the application for the increase in the capital together with the reasons for such an increase, in addition to the resolution of the general assembly approving the increase of the capital. The Minister may upon the recommendation of the Controller approve or reject the application. Should the Minister approve the said application, then the procedures of registration and publication defined by this law will apply.
- c) The nominal value of the new shares which are to be issued by the company upon increasing its capital through public or private subscriptions must be equal to the nominal value of the old shares. However, the new shares may be issued at a price higher than the nominal value, including an issue premium. The said premium shall be determined by the Minister upon the recommendation of the issuing Committee. Issue premiums resulting from the difference between the issue price and the nominal value of shares must be credited to a special account called "Share Premium Reserve". This reserve may not be distributed to shareholders as dividends, and the provisions stipulated in this law relating to the statutory reserve will be applicable thereto.

Article 136

The public shareholding company may increase its share capital by any of the following methods or by any other method approved by the company's general assembly with the consent of the Minister and on the Controller's recommendations.

- a) Offering new shares for public subscription and in such a case this public subscription shall be governed by the same provisions provided for in this law for the public subscription made at the time of the formation of the company including those provisions on announcing the offering of the new shares to public subscription, the prospectus and the period of subscription to the said shares. If shares offered to public subscription have not been fully subscribed to, the Minister may allow the underwriting of these shares through a private subscription. If shares are not fully underwritten following the private subscription, the Minister may be satisfied with the amount that has already been subscribed to as the increase in the company's

- b) Private subscription of shares by shareholders or outsiders on the recommendation of the Controller.
- c) Addition of the voluntary reserve to the company's capital in accordance with provisions of article (136) of this law.
- d) Capitalisation of the company's debts or any part thereof in accordance with the provisions of this law.
- e) Transferring transferable corporate bonds into shares per the provisions of this law.

Article 137

- a) Shareholders whose names are registered in the company's register at the date of the Minister's approval on increasing the company's share capital shall have priority for underwriting not more than 50% of the new shares offered for public subscription. Distribution of the new shares to shareholders shall be made in proportion to the number of shares held by each of them in the company's share capital.
- b) Should the company have corporate bonds which are transferable to shares, shareholders stipulated in paragraph (a) of this article together with corporate bond holders shall have priority in underwriting not more than 50% of the new shares offered for public subscription. This ratio shall be distributed among the said share and corporate bond holders in the manner the board of directors deems suitable.
- c) The company must publish a notice in at least two local daily newspapers to inform registered shareholders and corporate bond holders of their priority for subscription, which is granted to them in accordance with provisions of paragraphs (a) and (b) of this article, within fifteen days from the date of publishing the said notice, and after which period the granted right to share and corporate bond holders shall cease.
- d) The shares remaining after the lapse of the period granted to share and corporate bond holders in accordance with the provisions of paragraphs (a) and (b) of this article shall be offered for public subscription at the specified issue price. A notice regarding this public subscription shall be published by the company in at least two local daily newspapers for three consecutive days. The notice shall include the value of the shares, the issue premium, period of subscription, and names of banks and financial institutions accredited for this purpose.
- e) Shareholders and holders of corporate bonds transferable to shares who are stipulated in paragraphs (a) and (b) of this article shall have the right to underwrite the remaining shares of the new shares offered to public subscription, which have not been subscribed for during the period of public subscription in accordance with this law.
- f) Notices provided for in this article must be published on days other than public holidays or otherwise they shall be considered invalid.

Article 138

with due regard to the provisions and conditions relating to increasing the company's share capital stipulated in this law, the council of Ministers may, upon the recommendation of the Minister in cases which are deemed necessary, due to justified economic considerations required for the welfare of the company, decide the following :

- a) Increase the company's capital by adding the voluntary reserve accumulated therewith in the nominal value of the shares. In such a case, shareholders registered in the company's register on the date of obtaining the Council of Ministers' approval shall be granted shares free of charge. These shares shall be distributed to shareholders in the same proportion as the shares they own in the company after collecting a capital tax on the said capitalisation at an average of 15% of the amount of the voluntary reserve which is to be capitalised. This tax shall be collected from the principal of this voluntary reserve before distributing this reserve to shareholders in the form of shares. The said capital increase may not be repeated before the lapse of five years from the date of the last increase.
- b) Increase the company's capital by capitalising the company's debts in full or in part per the written approval of the creditors thereto.

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Chapter Seven
Decreasing the Share Capital of a
Public Shareholding Company

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Article 139

- a) A public shareholding company may reduce its share capital if this is in excess of its requirements, or if the company incurs a loss and it deems it advisable to reduce its share capital by the amount of the loss or any part thereof. Such a reduction and procedures related thereto shall be carried out with due consideration to the rights of others as stipulated in article (140) of this law.
- b) The reduction shall be carried out in one of the following methods :
1. Reducing the nominal value of shares by annulling the commitment to pay the undue instalments, if these amounts are in excess of the company's needs.
 2. Reducing the value of shares by cancelling a portion of their paid value equal to the amount of the loss, if a loss exists, or by refunding a portion thereof if the company deems that its capital is in excess of its needs.
- c) The capital of a public shareholding company in any of the said cases must not be reduced below the required minimum limit stipulated in article (98) of this law.

Article 140

- a) The board of directors of a public shareholding company shall submit the application for a reduction in its share capital to the Controller together with the reason that necessitates such a reduction. This can only be made following the approval of the company's general assembly of the said reduction. A majority of at least 75% of the shares represented in the extraordinary meeting, to which the assembly is invited for this purpose, must approve the reduction. The said application must be submitted together with a list of the names of the company's creditors, amounts due thereto, address of each one of them and an inventory of the assets and liabilities of the company, provided that the list, including the names of the company's creditors and inventory of its assets and liabilities are certified by its auditor.
- b) The Controller shall notify the creditors whose names appear in the list submitted by the company of the resolution of the company's general assembly regarding the reduction of its share capital. A notice shall be published regarding this matter in the official gazette and in at least two local daily newspapers at the expense of the company. Any creditor may submit a written objection to the Controller against the reduction of the company's share capital within thirty days from the date of the last notice. If the Controller is unable to arrive at a settlement for objections which were submitted to him within thirty days following the expiry date of the objection period, the objecting persons shall have the right to bring their cases before the court within thirty days from the expiry date of the period granted to the Controller to settle such objections. Any case brought before the court after the lapse of the said period

- c) Should the Controller receive a written notice from the court informing him of any case that has been filed with it within the period stipulated in paragraph (b) of this article to contest the reduction in the company's share capital, the reduction procedures must be stopped until a court judgement is pronounced regarding the objection, and this judgement shall be conclusive and final. The legal proceedings in such a case are considered of an urgent nature in accordance with the enforced civil adjudication law.
- d) If no case has been brought before the court to contest the resolution of the company's general assembly regarding the reduction in its share capital, or if a case has been filed but dismissed by the court and the court's judgement was conclusive and final, the Controller in this case must continue to consider the reduction in the company's capital and submit his recommendations regarding the reduction to the Minister to take the decision he deems appropriate. Should the Minister approve the reduction, the Controller shall register and publish the said reduction, at the expense of the company, in accordance with the procedures stipulated in this law. In such a case the reduced share capital shall by law replace the share capital listed in its memorandum and articles of association.

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Chapter Eight
Corporate Bonds

Article 141

Corporate bonds are negotiable securities having one nominal value and are issued by a public shareholding company to be offered for public or private subscriptions in accordance with the provisions of this law, with the aim of obtaining a loan of which the tenure is not less than five years. The company shall undertake, per these bonds, to repay the loan principal and interest in accordance with the issue conditions.

Article 142

Corporate bonds must meet the following requirements :

- a) Their issue must be approved by the company's general assembly upon the recommendation of the board of directors.
- b) The company's subscribed capital must be fully paid up.
- c) The value of the corporate bonds must not exceed the paid up capital of the company unless the Issuing Committee sanctions that.
- d) The full value of the corporate bonds must be guaranteed by a mortgage which has a priority over the company's assets or is secured by any other guarantees or collateral approved by the issuing Committee.
- e) Conditions for corporate bonds must be approved by the issuing committee.

Article 143

Issues of corporate bonds must be managed by financial institutions which are licensed to do so. One or more financial institutions may undertake to underwrite issues of corporate bonds and to market them in accordance with the conditions agreed upon between borrower and the financial institution.

Article 144

- a) The company undertaking the issue of corporate bonds must prepare a prospectus in cooperation with the manager of the issue, who represents the company or the companies which undertake the management of shares and corporate bond issues.
- b) The prospectus must include all the information on all particulars of the issue, and especially the following :
 1. Names of the borrowing company, amount of its capital and general information on the company and its financial status.
 2. Value of the issue, its period, the nominal value of each corporate bond, price of the issue and its date.
 3. Interest rate and dates of payment thereof.
 4. Type of issued corporate bonds whether nominal or to bearer or to both.

5. Privileges, revenues, remunerations, and awards if any.
 6. Method of subscription to bonds, subscription period, method of payment, dates of allotment and delivery and negotiation of shares.
 7. Transfer of corporate bonds to bearer and the coupons of the corporate bonds to nominal corporate bonds and specifying the regulations regarding the damage and loss of these bonds.
 8. Dates of redemption of the nominal value of the bond.
 9. Purpose of the loan and utilisation of the proceeds of the issue.
 10. Redemption guarantees including collateral if any.
 11. Corporate bonds that the company had previously issued, with clarification of unpaid balances thereof, and equity of owners of corporate bonds that have been issued and those to be issued.
 12. Auditors report on the company's balance sheets for the two years that preceded the issue.
 13. Violations of the conditions of issue and consequences resulting therefrom.
 14. Management of the issue and the underwriting thereof, manager of the issue, sale agents and payment agents.
 15. Any information or necessary statements the Issuing Committee deems advisable to add with the approval of the Minister.
- c) The prospectus may be presented to the Issuing Committee for its approval before publishing the said prospectus.

Article 145

Corporate bonds shall be of one of the following two types :

- a) Corporate bonds that are registered in the names of their holders, and the ownership of which is transferred in accordance with the Market Law, and the sale of which is documented in the registers of the company which issued these bonds. The ownership of such bonds arises on the date the documentation of the sale contract at the Financial Market takes place.
- b) Corporate bonds issued to bearers which give the right to their holders to own the said corporate bonds and exploit the rights to which the bond bearers are entitled. The ownership of such bonds is transferred upon delivery.

Article 146

- a) Corporate bonds shall be issued in one standard nominal value per issue. Bond certificates are issued in different denominations for the purpose of negotiation.
- b) Corporate bonds may be sold at their nominal value, or at a discount, or with an issue premium. In all the cases the bonds shall be refunded at their nominal value.

Article 147

The value of corporate bonds shall be paid in one amount on subscription, and will be credited to the account of the borrowing company. In the event that the borrowing company uses an underwriter, the amounts paid may be credited to their account with the approval of the borrowing company's board of directors, and the subscription proceeds will be refunded to the company at the date agreed upon with the underwriter.

Article 148

The bond shall bear the following information :

- a) On the face of the bond
 1. The name of the borrowing company, its logo if any, its address, its registration number and the period of the company.
 2. Name of holder of the bond if it is a nominal bond.
 3. Number of the bond, its kind, its nominal value, its period and the rate of interest thereon.
- b) On the back of the bond
 1. Total value of bonds issued.
 2. Dates and conditions of redemption of bonds and due dates for interest payments.
 3. Special securities, if any, for the debt which the bond represents.
 4. Any other conditions or provisions which the borrowing company deems advisable to add to the bond provided that the said conditions and provisions have been mentioned in the prospectus.

Article 149

If corporate bonds are guaranteed by immovable property or by other assets in kind or by any other guarantees or collateral, the said properties and assets must be held against the loan in accordance with the appropriate legislation, and the mortgage or guarantee or collateral must be documented before handing over the subscription proceeds to the company.

Article 150

- a) Any of the conditions of the prospectus may not be changed after concluding the loan agreements except in accordance with the provisions of this law.
- b) The subscriber to corporate bonds may appeal to the appropriate court to invalidate his subscription, and may oblige the borrowing company to refund to him the amounts with which he subscribed if the company has violated any of the conditions stipulated in article (142) of this law.

Article 151

The corporate bonds shall be issued in Jordanian dinars or in any other foreign currency pursuant to the appropriate laws.

Article 152

The board of directors may, with the approval of the Issuing Committee, be satisfied with the amount that has been subscribed to if a full underwriting has not been achieved for all the issued bonds within the assigned period and in the event the company does not have an underwriter. The said underwriting must not be less than 50% of the value of the issued corporate bonds.

Article 153

The company may issue corporate bonds transferable to shares in accordance with the following regulations :

- a) The resolution of the general assembly and the prospectus must include all the rules and conditions under which the bonds are to be transferred into shares and the transfer shall be carried out with the consent of the holders and under the conditions and on the basis defined in their prospectus.
- b) The bond holder shall express his interest in the transfer at the dates stated in the prospectus. If the holder does not express his interest during this period, he will lose his right to transfer the said corporate bonds.
- c) The shares obtained by the bond holders shall enjoy rights to dividends proportional with the period between the date of transfer and the end of the fiscal year.
- d) At the end of each fiscal year, a statement shall be made of the number of shares issued during the year against corporate bonds whose holders expressed interest in transferring them to shares during the said fiscal year.

Article 154

- a) Upon every bond issue, an assembly shall, by law, be formed from the bond holders and shall be called "Bond Holder Assembly".
- b) The said "Bond Holder Assembly" shall have the right to appoint a trustee for the issue at the expense of the company issuing the corporate bonds.

- c) The issue trustee must be a Jordanian company specialised in conducting this activity and under the conditions determined by the Minister upon the recommendation of the Issuing Committee.
- d) Neither the underwriter nor the payment agent are entitled to perform the duties of an issue trustee.

Article 155

- a) The Bond Holder Assembly shall be responsible for safeguarding the rights of the bondholders and for taking the necessary measures to preserve these rights, in cooperation with the issue trustee.
- b) The Bond holder Assembly shall convene for the first time upon the invitation of the board of directors of the company which is issuing the corporate bonds. The appointed issue trustee shall be responsible for inviting the said assembly for meetings to be held later.

Article 156

The issue trustee shall undertake the following duties :

- a) To represent the Bond holder Assembly before courts whether as a plaintiff or a defendant, as well as representing the assembly before any other party.
- b) To undertake the secretarial duties at the meetings of the Bond holder Assembly.
- c) To perform the necessary work for safeguarding the rights of the bond holders.
- d) Any other duties with which the Bond holders Assembly entrusts him.

Article 157

The borrowing company must invite the issue trustee to the meetings of the company's general assembly. The trustee must attend these meetings and express his opinion regarding issues under discussion, without having the right to vote on the resolutions of the general assembly.

Article 158

- a) The issue trustee must invite the bond holders to meet whenever he deems it necessary provided that the Bond holder Assembly must meet at least once a year.
- b) The Bond holder Assembly shall be invited in accordance with the same rules applied to invitations directed to the ordinary meetings of the general assembly. Invitations and meetings of the bond holder assembly are subject to the same provisions which govern the invitations and meetings of the general assembly of shareholders.

- c) Any action that may lead to the extension of the redemption date or to reducing the rate of interest, or reducing the amount of the debt, or reducing the guarantees for bond holders, and in general any action that may adversely affect their rights thereof, shall be considered invalid unless approved by the bond holder assembly by a three quarter majority of its votes represented in the meeting, and provided that the ratio of corporate bonds is not less than two thirds of the value of the issued bonds which have been subscribed to.
- d) The issue trustee must notify the Controller, the Issuing Committee, the Financial market and the company issuing the corporate bonds of the resolutions of the bond holder assembly.

Article 159

- a) The borrowing company shall redeem the value of the bonds in accordance with the conditions included in the prospectus.
- b) The prospectus must provide for the company's right in redeeming corporate bonds annually by a lottery throughout the period of the said bonds.

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Chapter Nine
Management of a Public Shareholding Company

Article 160

- a) The management of a public shareholding company is entrusted to a board of directors whose members shall not be less than seven and not more than thirteen. The members of the board shall be elected by the company's general assembly through secret balloting in accordance with the provisions of this law. The board of directors shall undertake the management of the company for four years as from the date of its election.
- b) With due regard to the provisions of paragraph (c) of this article, the board of directors must invite the company's general assembly to meet during the last three months of its term, in order to elect a new board of directors to replace it, provided that the board continues to manage the affairs of the company until the new board is elected if its election is delayed for any reason whatsoever. The delay in this case must not exceed three months from the expiry date of the term of the existing board whatever the case maybe.
- c) If the date set for the meeting to which the company's general assembly will be invited in accordance with the provisions of paragraph (b) of this article, falls within a maximum of six months before the expiry date of the term of office of the existing board of directors or falls within the six months following the expiry date of the said term, the board shall continue to carry on its duties and elect the new board of directors at the soonest meeting of the general assembly.

Article 161

- a) The company's articles of association shall specify the number of shares which must be owned to qualify their holder for election as a member of the board of directors, provided that these shares are not attached or mortgaged or under any kind of restrictions which prevents their disposal. The restrictions provided for in each of articles (103) and (133) of this law, regarding disposal of the statutory shares and shares in kind, shall be excluded from the above mentioned restrictions.
- b) The number of shares qualifying for membership of the board of directors as stipulated in paragraph (a) of this article, shall continue to be attached as long as the holder of such shares is a member of the board of directors and for a further period of six months following the expiry date of his term thereon. Negotiation of such shares is not permitted during this period, and the shares shall be marked as attached shares and this shall also be marked in the register of shareholders and on the certificate of their ownership. Such an attachment is made to guarantee the responsibilities and obligations of the member and the board of directors towards the company.

- c) Any member of a public shareholding company's board of directors shall immediately lose his membership if the number of his shares that qualifies him for such a membership decreases or has been attached per an exclusive and final court order, or has been mortgaged during his term in office in accordance with the provisions of paragraph (a) of this article. The provisions of this article are also applicable to the chairman of the company's board of directors.
- d) The provisions of this article shall not be applicable to shares registered in the name of the government or official public corporations.

Article 162

Any person may not be nominated for membership of a public shareholding company's board of directors if he has been convicted of:

- a) Any felony
- b) Any misdemeanor involving morals, bribery, embezzlement, stealing, forgery, abuse of confidence, false testimony, bankruptcy or any other disgraceful and immoral felony.
- c) Any of the acts stipulated in articles (313), (314) and (315) of this law.

Article 163

- a) Should the government or any of the official public corporations or any public corporate legal individual subscribe to shares in a public shareholding company, then any one of them shall be represented on its board of directors by one or more members in accordance with the proportion of its subscription in the company's share capital. The appointed member thereby shall enjoy the full rights of membership and bear its responsibilities. It is not permitted, in accordance with the provisions of this paragraph, to appoint one member on the board of directors of two companies to which the government is a subscriber including the Arab and foreign companies.
- b) The membership of the representatives of the government or an official public corporation or any public corporate legal individual shall continue until the expiry date of the term of the board of directors. The party that appointed the said representative shall have the right at any time to appoint another person to replace him and to hold his office for the remaining period of his term in office, or to delegate someone to temporarily replace him should he be sick or out of the Kingdom provided that the company shall be informed in writing in both cases.
- c) Should the member who represents the government or an official public corporation or any public corporate legal individual submit his resignation, his resignation shall be accepted and the party for whom he is a representative must appoint a new representative to replace him.
- d) Provisions concerned with the appointment of a government representative on the board of directors of public shareholding companies shall be determined in accordance with the Jordan Investment Corporation Law and the regulations issued in line

Article 164

Should the shareholder of a public shareholding company be a corporate legal individual other than a public corporate legal individual, and be appointed as a member of its board of directors, the said corporate individual must, within ten days from the date of its election, name a natural person whose qualifications meet the requirements for membership of the board of directors, to be its representative on the board.

Article 165

- a) The board of directors of a public shareholding company shall elect, from among its members by secret ballot, a chairman, and a deputy chairman to assume the duties and responsibilities of the chairman during his absence. The board of directors shall also elect from among its members one or more members who will have the right to sign on behalf of the company severally or jointly, in accordance with what the board decides regarding this matter, and within the powers delegated to them by the board. The board shall provide the Controller with copies of its resolutions concerned with the election of the chairman, his deputy, and the members authorised to sign on behalf of the company, and with samples of their signatures within seven days from the date of adopting the said resolutions.
- b) The company's board of directors may delegate any employee of the company to sign on its behalf within the authorities delegated thereto.

Article 166

- a) The chairman and every member of the board of directors of a public shareholding company, its general manager, and principal executive managers, must submit to the board of directors at the first meeting which it holds following its election, a statement of the company's shares owned by each one of them and his wife and minor children, in addition to the names of the companies in which he and his wife and minor children own parts or shares therein, if the public shareholding company owns shares in these companies. Any changes which may occur to the above statements must be notified to the board within two weeks from the date on which such changes occur.
- b) The board of directors must furnish the Controller and the Financial Market with copies of the aforementioned statements stipulated in paragraph (a) of this article, and of any changes that may occur thereon, within seven days from the date of submission of the statements or the changes that occur on them.

Article 167

A public shareholding company is not allowed to advance a cash loan of any kind to any of the members of the board of directors or to the parents or descendants or spouse of any one of them. Any act contrary to the provisions of this article shall be considered null and void. Banks and financial institutions are excluded from this condition and are allowed to advance loans to all of the aforesaid within the limits of their objectives and with on same terms the banks and financial institutions deal with their other clients.

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Article 168

- a) The board of directors must, within three months from the end of the company's fiscal year, prepare the following accounts and statements to be presented to the general assembly.
1. The balance sheet of the company and its profit and loss account, compared with those of the preceding fiscal year, and the explanatory statements on those accounts all duly audited by the company's auditors.
 2. The company's work plan for the following year.
 3. The annual report of the board of directors on the operations of the company during the fiscal year.
- b) Copies of all accounts and statements stipulated in paragraph (a) of this article shall be sent to the Controller and the Financial Market at least twenty one days prior to the date set for the meeting of the company's general assembly.

Article 169

The board of directors must publish the company's balance sheet, its profit and loss account and a detailed summary of the annual report of the board of directors, along with the auditors report, within a period not exceeding thirty days from the date of the meeting of the general assembly.

Article 170

The board of directors of a public shareholding company shall prepare a semi-annual report in which the financial status of the company and the results of its operations are reported. This report must be certified by the chairman of the company's board of directors. Copies of the report must be sent to the Controller and the Financial Market within thirty days from the set date for its submission to the board.

Article 171

- a) The board of directors shall annually place in the company's head office, at the disposal of the shareholders, at least three days prior to the meeting of the company's general assembly, a detailed report containing the following statements :
1. All amounts received from the company during the fiscal year by the chairman and each of the members of the board of directors, in the form of wages, fees, salaries, allowances, remuneration and others.
 2. Benefits that the chairman and the members of the board of directors enjoy such as free housing, cars and others.

3. Amounts that have been paid to the chairman and each of members of the board of directors during the fiscal year such as travel and transport allowances in and outside the Kingdom.
 4. Donations paid by the company during the fiscal year in giving the details and the parties who received the said donations.
- b) The chairman and the members of the company's board of directors shall be held responsible for carrying out the provisions of this article and for the correctness of the statements mentioned in the said article.

Article 172

- a) The board of directors of a public shareholding company shall direct an invitation to the shareholders to attend the meeting of the general assembly, and the invitations shall be sent to each one of them via ordinary mail at least fourteen days prior to the date set for the meeting. Invitations may be delivered to the shareholders by hand against a signature of receipt. The invitation shall be published on two consecutive days in local daily newspapers.
- b) The agenda of the meeting of the general assembly, and the report of the company's board of directors, the balance sheet of the company and its final accounts, in addition to the auditors report and the explanatory statements shall be enclosed with the invitation.

Article 173

The board of directors must announce the date set for the meeting of the company's general assembly once as a minimum, in at least two local daily newspapers within a maximum of fourteen days prior to the date set for the meeting. The board must also announce the said date only once on the radio and television within a maximum of three days from the date set for the meeting.

Article 174

- a) Any person is entitled, in his personal capacity, to be member of the boards of a maximum of three shareholding companies at any one time. A person is also entitled to act on behalf of a corporate legal individual, as a member of the board of directors, in a maximum of not more than three public shareholding companies. In all cases the said person is not entitled to be a member of the board of directors of more than five companies as a natural person in some and as a representative of a corporate individual in the others.
- b) No person may stand for election as a member of the board of directors of a public shareholding company in his personal capacity, or as a representative of a corporate legal individual if he is a member of the board of as many companies as stipulated in paragraph (a) of this article, and any membership the person has obtained on any company's board which violates the provisions of this article shall by law be considered null and void.

- c). Each candidate for membership of the board of directors of a shareholding company must declare in writing the names of the companies in which he is a member of the board of directors.
- d) Any candidacy to the board of directors of any public shareholding company shall be considered as null and void if it contravenes the provisions of this article.

Article 175

Any candidate for membership of a board of directors of a public shareholding company must not :

- a) Be less than twenty one years old.
- b) Be an employee of the government or of an official public corporation.

Article 176

- a) Any person who occupies a public post may not be a member of the board of directors of any public shareholding company, except in his capacity as a representative of the government, or of an official public corporation, or of a public corporate body.
- b) Any member of a company's board of directors or its general manager, may not become a member of the board of directors of another company that carries out businesses similar to the businesses of the company in which he is a board member, or has identical objectives, or is a competitor thereof. The said board member is also not entitled to carry out businesses which compete with the business of the company in which he is a board member.
- c) The chairman of the board of directors of any company, or any of its members, or the company's general manager, or any of its employees, may not have a direct or an indirect interest in the contracts, projects and commitments which are concluded with the company or for its account.
- d) The provisions of paragraph (c) of this article shall not apply to those contracts, undertakings and public tenders in which all competitors have an equal opportunity to submit their offers. Should the best offer be submitted by any of those mentioned in paragraph (c) of this article, a two thirds majority of the members of the board must be obtained provided that the said member shall not have the right to attend the session in which his offer is discussed. The approval so given shall be renewed annually by the board of directors if the said contracts or undertakings are of a renewable and periodic nature.
- e) Any person from those referred to in paragraph (c) of this article shall be discharged of his office or position in the company in the event he violates the provisions of the said paragraph.

Article 177

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Any person elected in his absence as a board member of a public shareholding company, must declare in writing his acceptance or refusal of that membership within ten days from the date of his notification of the result of the election, and his silence regarding this matter shall be considered as his approval of that membership.

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Article 178

- a) If the office of any elected member of the board of directors becomes vacant, he shall be succeeded by the person who the board of directors will elect from among those who have the qualifying requirements for membership. Corporate individuals may take part in that election. This procedure shall always be followed whenever the office of any board member becomes vacant. The appointment, in such a manner, shall continue to be provisional until it is presented to the company's general assembly in its next meeting, in order to approve such an appointment, or to elect the person who shall occupy the vacant post in accordance with the provisions of this law. In such a case, the new member shall hold office for the remaining period of the term of office of his predecessor.
- b) The number of appointed members of the board of directors must not be more than half of the board members in accordance with this article. Should the office of any board member become vacant after that, the company's general assembly must be invited to elect a new board of directors.

Article 179

- a) The financial, accounting, and administrative matters of a public shareholding company shall be organised in accordance with special by-laws to be prepared by its board of directors. These by laws shall specify in details the duties, responsibilities and powers of the company's board of directors regarding financial, accounting and administrative matters. The said by-laws must not contravene the provisions of this law and the regulations issued in line therewith or any other legislation in force. Copies of these by-laws shall be sent to the Controller. The Minister may, upon the recommendation of the Controller, make any amendments he deems necessary to the said by-laws in a manner that safeguards the welfare of the company and its shareholders.
- b) All companies registered before the enforcement of this law must adjust their functions in accordance with the provisions of this article, by preparing and approving the special by laws provided for in paragraph (a) of this article within a period not exceeding one year from the date of this law coming into effect.

Article 180

- a) The chairman of the board of directors of a public shareholding company is the president of the company and he shall represent it with third parties and before all authorities, and shall exercise all the powers vested in him in accordance with the provisions of this law, the regulations issued in line therewith, and the other rules enforced by the company. The chairman of the board of directors shall, in cooperation with the company's executive staff, execute the resolutions of the board.
- b) The chairman of the board of directors may be a full time employee, with the approval of two thirds of the board members. The board of directors shall determine the salary and allowances of the chairman provided he is not the chairman of the board of directors or the general manager of any other public shareholding company.

Article 181

- a) The board of directors shall appoint a qualified person to act as general manager of the public shareholding company and shall specify his powers and responsibilities in accordance with regulations issued by the board for this purpose. The board shall authorise the said manager to carry out the management of the company in cooperation with the board of directors and under its supervision, and will determine the salary of the general manager provided he is not a general manager of more than one public shareholding company.
- b) The board of directors shall have the right to terminate the services of the general manager provided that they inform the controller and the Financial Market of any decision taken thereby regarding the appointment of the company's general manager, or the termination of his services, within ten days from the date of taking the said decision.
- c) The chairman of the board of directors of a public shareholding company, or any of its members, may be appointed as a general manager of the company or as a deputy or assistant manager, per a resolution supported by a majority of two thirds of the board members in any of these cases provided that the member in question shall not participate in the voting.
- d) The chairman of the board of directors of a public shareholding company or any of its members are not entitled to receive any salary or compensation or remuneration in return for any duties they perform for the sake of the company, or for occupying any post therein, except for those salaries, compensation and remunerations provided for in this law.

Article 182

The board of directors shall appoint the secretary of the board and shall determine his salary. The secretary shall arrange board meetings, prepare the agendum therefore, and record in a special register and on consecutive pages having serial numbers the board's minutes of meetings and resolutions. The said register shall be signed by the board's chairman and members who attended the meeting and shall carry the company's seal.

Article 183

- a) The board of directors of a public shareholding company shall meet upon an invitation in writing directed to its members by the chairman of the board or his deputy, in case of the chairman's absence, or upon a request of at least one quarter of the board's members submitted to the chairman. The said members must state in their request the reasons which require holding such a meeting. Should the chairman or his deputy not invite the board to a meeting within seven days from the date he receives that request, the aforementioned members shall have the right to invite the board to meet.

- b) The board of directors of a public shareholding company shall hold its meetings in the head office of the company or in any other place inside the Kingdom if such a meeting cannot be held at the company's head office, except for companies which have branches outside the Kingdom. These companies shall have the right to hold a maximum of two board meetings annually outside the Kingdom, should the nature of their operations require such meetings. The resolutions of the board of directors shall be adopted by an absolute majority of the members present at the meeting. Should votes be equal, the chairman of the meeting shall have a casting vote.
- c) Voting on the board of directors' resolutions shall only be made in person. Voting by proxy or by correspondence or by another indirect manner shall not be permitted.
- d) The board of directors shall have at least six meetings during the company's fiscal year provided that not more than two months have elapsed before holding a board meeting. The Controller shall receive a copy of the invitation for each of the said meetings.

Article 184

The resolutions adopted by the board and the actions carried out thereby within the scope of its powers shall be binding upon the company. The company shall also be liable for compensating for any damage which may result from any illegal actions carried out by any board member while managing the affairs of the company or in its name. The company shall have the right of recourse to the member who caused damages which require compensation.

Article 185

- a) The chairman and the members of the board of directors shall be held responsible towards the company, shareholders and others for any violation that may be committed by any one or all of them, of the enforced laws and regulations and of the company's articles of association, for any fault in the management of the company. Any resolution adopted by the general assembly discharging the board from its responsibility shall not prevent bringing the chairman and the board of directors to court.
- b) Liability as stipulated in paragraph (a) of this article shall be either personal, borne by one or more members of the board of directors, or collective, borne by the chairman and the members of the board of directors, and in such a case they shall be jointly and severally liable for compensating the damage that results from the said violation or mistake. Members who have already objected to the resolution adopted regarding the violation in the minutes of the meeting, shall not be liable for such compensation. In all the cases, claims regarding this responsibility shall cease after the lapse of five years from the date the general assembly has approved the company's annual balance sheet and its final accounts.

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Article 186

The chairman and members of the board of directors of a public shareholding company, and its general manager or any of its employees, shall be prohibited from disclosing to any shareholder, or to an outsider, any information or data relating to the company of a confidential nature, and which the said chairman or members or manager or employees have acquired in their official capacity with the company, or as a result of undertaking any business therefore or therein, or otherwise they shall be discharged from their position, and shall be liable to pay compensation for the damage that has been incurred to the company. Information permitted to be published per current laws and regulations shall be excluded from the aforesaid information. The approval of the general assembly to release the chairman and board of directors from this responsibility shall not be accepted.

Article 187

The chairman and the board of directors of a public shareholding company shall be jointly and severally responsible towards the shareholders for any default or negligence of the management of the company. Furthermore, upon the liquidation of the company and the existence of a deficit in its assets, in a manner that renders the company unable to meet its obligations, and should the reason for such a deficit be the default or negligence of the chairman and members of the board, or its general manager or its auditors, the court shall have the right to hold any of the aforesaid persons liable for the debts of the company in full or in part, whatever the case may be. The court shall determine the amounts the said persons are liable for and whether they are jointly liable or not.

Article 188

The controller and the company or any shareholder shall have the right to file a case with the court in accordance with the provisions of articles (185) and (186) of this law.

Article 189

- a) The decision taken by the general assembly regarding discharge of responsibility shall not be considered as evidence except after the presentation of the company's annual accounts and report to the assembly.
- b) This discharge of responsibility shall exclude matters except those the general assembly was able to verify.

Article 190

- a) Remuneration of the chairman and members of the board of directors shall be determined at a rate of 10% of the net profit to be distributed as dividends to shareholders, after deducting all deductions and taxes therefrom, provided that the remuneration for any one of them must not exceed five thousand Jordanian dinars annually.
- b) If the company is still in the formation stage and has not realised a profit yet, an annual remuneration may be distributed to the chairman and members of the board, at a rate not exceeding one thousand Jordanian dinars for each one of them, until the company starts to realise profits, and then it shall be subject to

- c) But in the event the company has incurred losses after realising profits, the chairman and each one of the members of the board shall be paid a remuneration for their efforts in managing the company at a rate of twenty Jordanian dinars for every board meeting, or for every meeting of the committees emanating therefrom, provided that such remuneration must not exceed six hundred Jordanian dinars annually for each one of them.
- d) Travel and transport allowances for the chairman and members of the board of directors shall be determined in accordance with special regulations to be issued by the company for this purpose.

Article 191

Any member of the board of directors of a public shareholding company, other than representatives of a public corporate individual, may submit his resignation to the board, provided that his resignation is made in writing, and the said resignation shall take effect as of the date of its submission to the board and it shall not be withdrawn.

Article 192

- a) The chairman of the board of directors of a public shareholding company, or any member thereof, shall lose his board membership if he absents himself from the meetings of the board of directors for four consecutive times without reasonable cause, or if he absents himself from the meetings of the board of directors for six consecutive times even though there is a reasonable cause for the absence. The Controller shall be informed of the decision of the board of directors in accordance with the provisions of this article.
- b) The corporate individual shall not lose his membership of the board due to the absence of his representative in any of the two cases stipulated in paragraph (a) of this article, but the corporate individual must appoint another person to replace the said representative as soon as he is informed of the board resolution.

Article 193

- a) The general assembly of a public shareholding company shall have the right, during an extraordinary meeting and upon the request of shareholders holding not less than 30% of the shares of the company, to dismiss the chairman of the board of directors or any of its members except for those members who represent the shares of the government or any public corporate individual. The request of the shareholders regarding the dismissal of the chairman of the board or any of its members shall be submitted to the board of directors, and a copy thereof shall be sent to the Controller. The board of directors must invite the general assembly to hold an extraordinary meeting within ten days from the date of submission of the request thereto, in order for the assembly to consider the dismissal request and take the appropriate decision therefore. If the board of directors fails to invite the general assembly to a meeting, the Controller shall do so at the expense of the company.
- b) The general assembly shall discuss the request for dismissal and hear the statement of the member whose dismissal is requested, after which the members will vote on the request by secret ballot.

Article 194

The chairman of the board of directors of a public shareholding company and any member thereof, and the company's general manager and any of its employees, shall be prohibited from dealing directly or indirectly in the shares of the company, on the basis of information which any one of them may have acquired in his official capacity in the company. He is also prohibited from revealing such information to any other person with the aim of affecting the prices of the shares of this company, or any other subsidiary, or holding company or affiliated company thereto in which he is a board member, or is an employee therein, or should such a disclosure of information cause such an effect. Any dealing or transaction to which the provisions of this article are applicable shall be considered null and void. The person who undertakes such a dealing or transaction shall be liable for the damage incurred by the company or its shareholding, or others, if any case is brought before court regarding the said damage.

Article 195

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- 1) Should the chairman of the board of directors of a public shareholding company, or any of its members, submit his resignation, or should the board cease to have quorum due to the resignation of some or all of its members, the Minister must set up a provisional committee composed of any number of experienced and specialised persons which he deems appropriate. The Minister shall appoint from among the members of the committee a chairman and a deputy, in order to assume the management of the company. He shall also invite the company's general assembly to meet within a period not exceeding six months from the date of its formation, in order to elect a new board of directors to the company. The chairman of the committee and its members shall be granted remuneration at the expense of the company in accordance to what is determined by the Minister.
- 2) The provisions of paragraph (a) of this article shall be applicable to banks and financial institutions after obtaining the opinion of the Governor of the Central Bank of Jordan.

Article 196

The company's board of directors, or its auditors or both of them must notify the Controller of the occurrence of any financial or administrative disorder or serious losses which affect the rights of the company's shareholders or creditors. Failure on the part of the chairman or the auditors shall subject them to the penalty of inadequacy. The Minister may, in any of these cases and upon the recommendation of the Controller, dissolve the board of directors and set up an administrative committee of any number of experienced and specialised persons which he deems necessary for a one year period renewable for another year. The Minister shall appoint from among the members of the committee, a chairman and a deputy thereto. The Minister, in such a case, must invite the general assembly within the said period in order to elect a new board of directors for the company. The chairman and members of the committee shall be granted remuneration at the expense of the company as determined by the Minister.

Chapter Ten

The General Assembly of a Public Shareholding Company

Ordinary Meetings of the General Assembly

Article 197

The general assembly of a public shareholding company shall hold at least one ordinary meeting per year the Kingdom, upon the invitation of its board of directors, on the date set by the board in agreement with the Controller, provided that the meeting shall be held within the four months following the end of the company's fiscal year.

Article 198

Ordinary meetings of the general assembly of a public shareholding company shall be deemed legal if attended by shareholders representing more than one half of the company's subscribed shares. Should such a quorum not be present, the chairman of the board of directors shall direct an invitation to the general assembly to hold another meeting within ten days from the date of the first meeting. The invitation shall be made through an announcement published in at least two local daily newspapers, within a maximum of three days from the date set for the meeting. The second meeting shall be considered legal regardless of the shares represented therein.

Article 199

The powers of the ordinary general assembly of a public shareholding company shall include those powers needed for considering, discussing and taking the appropriate decisions for all matters relevant to the company and particularly the following :

1. Minutes of the general assembly previous ordinary meeting.
2. Report of the board of directors on the business and activities of the company during the year along with its future plans.
3. Report of the company's auditors on the company's balance sheet, other final accounts and financial status.
4. Annual balance sheet, the profit and loss account and profits that the board of directors proposes to distribute, including the reserves and allocations which the law and the articles of association of the company stipulate should be deducted.
5. Election of the members of the board of directors.
6. Election of the company's auditors for the next fiscal year.
7. Discussion of proposals to borrow funds, create a mortgage or give guarantees in accordance with its articles of association.

8. Any other matter the board of directors has included in the meeting's agenda.
 9. Any other matters the general assembly proposes to include in the agenda, and is within the scope of work of the general assembly in its ordinary meetings, provided that such a proposal must be with the approval of shareholders representing not less than 10% of the shares represented in the meeting.
- b) The invitation for the meetings of a general assembly must be directed, together with the meeting's agenda in which issues to be presented to the general assembly for discussion and consideration are listed, in addition to any other documents or statements which have relation with these matters

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Extraordinary Meetings of the General Assembly

Article 200

- a) The general assembly of a public shareholding company must hold an extraordinary meeting inside the Kingdom upon the invitation of the board of directors, or upon a written request submitted to the board from shareholders holding not less than one quarter of the company's subscribed shares, or upon a written request submitted by the company's auditors or the Controller, should shareholders holding in person not less than 15% of the companies subscribed shares request such a meeting.
- b) The board of directors must invite the general assembly to an extraordinary meeting if the shareholders, or the company's auditors, or the Controller, requests holding one in accordance with the provisions of paragraph (a) of this article, within a period not exceeding fifteen days from the date the board has been notified of that request. Should the board fail to direct such an invitation or final to respond to the request, the Controller shall invite the general assembly to convene at the expense of the company.

Article 201

- a) With due regard to the provisions of paragraph (b) of this article, an extraordinary meeting of the general assembly shall be deemed legal if attended by shareholders representing one half of the subscribed shares of the company. Should such a quorum not be present, the meeting shall be postponed to another date so the meeting may be held within ten days from the date of the first meeting. The chairman of the board shall announce the new date of the meeting in at least two local daily newspapers, three days at the maximum prior to the date set for the new meeting. The second meeting shall be deemed legal with the presence of shareholders representing at least 40% of the company's subscribed shares. Should such a quorum not be present in the second meeting, it shall then be cancelled, whatever the reasons or the invitation are.
- b) The legal quorum for the general assembly's extraordinary meetings, which are held in the event the company is to be liquidated or merged with other companies, must not be less than two thirds of the company's subscribed shares.

Article 202

The invitation for extraordinary meetings of the general assembly must include all subjects to be presented and discussed at the meeting. Should the agenda include amendments to the memorandum and articles of association of the company, the proposed amendments must be attached to the invitation for the meeting.

Article 203

The general assembly of a public shareholding company shall, at its extraordinary meetings, discuss, consider and take appropriate decisions regarding the following matters :

1. Amendments to the memorandum and articles of association of the company.
2. Merger of the company with another company.
3. Liquidation and dissolution of the company.
4. Dismissal of the chairman of the board of directors or any member thereof.
5. Sale of the company or purchase of another company in full.
6. Increase or decrease of the company's capital share.
7. Issuance of corporate bonds.

b) The resolutions at extraordinary meetings of a general assembly shall be adopted by a majority of 75% of the total shares represented in the meeting.

c) Resolutions adopted by the general assembly at its extraordinary meetings shall be subject to the procedures concerned with approval, registration and publication in accordance with this law except for the matter stated in item 4) of paragraph (a) of this article.

Article 204

The general assembly of a public shareholding company may discuss at its extraordinary meetings issues that are the concern of ordinary meetings. The general assembly's resolutions in this case shall be adopted by an absolute majority of shares represented in the meeting.

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General Rules for meetings of
the General Assembly

Article 205

- a) The ordinary meetings of the general assembly of a public shareholding company shall be presided over by the chairman of the board or his deputy, in the case of the chairman's absence, or by any person delegated by the board if both the chairman and his deputy are absent.
- b) The number of the members of the board of directors who should attend meetings of the general assembly equals the number needed for constituting a quorum required for holding meetings of the board. Board members must not absent themselves from the meetings except with justifiable reasons.

Article 206

Every shareholder who is properly registered in the company's register, and has settled all the instalments which are due from him to the company at least three days prior to the date set for any meeting of the general assembly, shall have the right to take part in discussing matters presented thereto, and in voting on the resolutions adopted by the assembly regarding these matters, each according to the number of votes he represents in the meeting by ownership and through representation.

Article 207

- a) The shareholder shall have the right to give a proxy to another shareholder to attend any meeting of the company's general assembly. The proxy shall be in writing, on a special form which shall be prepared by the company's board of directors, with the approval of the Controller. Proxies must be deposited with the company at least three days before the date set for the meeting of the general assembly. The Controller, or any one delegated thereby, shall examine the said proxies.
- b) The proxy shall be valid for a postponed meeting which the representative will attend, for the general assembly.
- c) The presence of a trustee or guardian of the shareholder, or the representative of a corporate individual, shall be considered as a legal presence of the original shareholder at the meetings of the general assembly, even if the said trustee, guardian and representative of the corporate individual is not a shareholder in the company.

Article 208

- a) The controller, or anyone delegated in writing thereby, from the employees of the companies' supervision department at the Ministry shall undertake to execute the measures laid down for holding the meetings of the general assembly of a public shareholding company, in accordance with the regulations issued by the Minister for this purpose. The Controller may seek the assistance of any of the employees of the Ministry for executing the provisions of this article.

) The general assembly of a public shareholding company shall be committed to pay an amount equalling two hundred Jordanian dinars for every meeting its general assembly holds, as remuneration for the Controller and the employee who supervise the execution of that meeting, in accordance with the provisions of paragraph (a) of this article. The amounts to be paid as such shall be deposited in a trust account at the Ministry of Finance. The Controller shall receive an annual remuneration not exceeding six hundred Jordanian dinars, and a sum not exceeding three hundred Jordanian dinars shall be paid to every employee of the Ministry employees as determined by the Controller. The said remuneration shall be distributed to the aforesaid recipients with the approval of the Controller, and any amount in excess of the said amount shall be considered as a treasury revenue.

Article 209

a) The chairman of the general assembly of a public shareholding company shall appoint, from among the shareholders or the company's employees, a clerk to record the minutes of the meeting of the general assembly and the resolutions that shall be taken therein. The chairman shall also appoint not less than two supervisors to collect and sort out the balloting papers. The Controller or his representative shall announce the voting results.

b) The minutes of the meeting shall include the legal quorum for the meeting, and the issues that have been presented during it, and the resolutions that have been adopted regarding these issues, and numbers of votes which support and reject every resolution, and those which are not known yet in addition to the part of the discussions of the general assembly which the shareholders request that they should be recorded. The minutes of the meeting shall be signed by the chairman of the meeting, the Controller and the clerk. These minutes must be documented in a special register prepared by the company for this purpose. The board of directors shall send a signed copy of the minutes to the Controller within ten days from the date of holding the meeting of the general assembly.

c) The Controller may give certified copies of the minutes of the meeting of the general assembly to any shareholder against the required fees, in accordance with the provisions of this law.

Article 210

The board of directors must invite the controller and the company's auditors to the meetings of the general assembly. The invitations must be directed to the aforesaid persons at least fifteen days prior to the date set for the meeting. Enclosed with the invitations shall be the meeting's agenda and all data and material which the law stipulates should be attached to the invitations directed to shareholders. Any meeting of the general assembly not attended by the Controller shall be considered null and void.

Article 211

a) Resolutions adopted by the general assembly of a public shareholding company, at any of its meetings that convenes with the presence of a legal quorum, shall be binding upon the board of directors and all shareholders, whether they attended the said meeting or not, provided that these resolutions have been adopted in accordance with the provisions of this law and the regulations issued in line therewith.

b) It is permitted to contest the legality of any of the meetings of the general assembly and to contest the resolutions adopted at any one of these meetings. The court shall dismiss any contested case should the appeal be made after the lapse of three months from the date of the meeting, provided that the contest shall not suspend the implementation of any of the resolutions of the general assembly unless such resolution is judged as groundless.

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Chapter Eleven
Company's Accounts

Article 212

A public shareholding company shall organise its accounts and keep its registers and books in accordance with generally accepted accounting principles.

Article 213

- a) The fiscal year of a public shareholding company shall start on the first of January of each year and shall end on the thirty first of December of the same year, unless otherwise provided for in the company's articles of association.
- b) Should the company commence its business during the first half of the year, then its fiscal year shall end on the thirty first of December of the same year. But if it commences its business in the second half of the year, then its first fiscal year shall end on the thirty first of December of the following year.

Article 214

- a) The company shall not have the right to distribute any dividends to its shareholders except from its profits. The company must deduct an amount equivalent to 10% of its annual net profit for the account of its statutory reserve. No profits shall be distributed to shareholders before the deduction of such an amount. These deductions may not cease before the total amount accumulated in the account of the statutory reserve has become equal to one quarter of the subscribed capital. However the company may continue to deduct this annual ratio, with the approval of the general assembly, until this reserve equals the subscribed capital of the company in full.
- b) A public shareholding company may not distribute its statutory reserve to its shareholders, but the company may, in any year, use the said reserve to ensure the minimum limit of profits as required by the agreement of companies having concessions, when their profits at the said year cannot ensure that minimum limit. The board of directors, in such a case, must refund to that reserve, the amounts which have already been deducted therefrom, whenever the profits of the company allow that in the following years.

Article 215

- a) The general assembly of a public shareholding company may, upon the suggestion of its board of directors, decide to deduct annually 20% of its annual net profits for the account of the voluntary reserve.
- b) The voluntary reserve of a public shareholding company shall be used for the purposes decided upon by its board of directors. The general assembly shall have the right to distribute that reserve in full, or in part, as profits to shareholders, if it has not been used for these purposes.

Article 216

A public shareholding company must allocate not less than 1% of its annual net profits to be spent for supporting scientific research work and vocational training in the company. The company may offer these allocations to other concerned bodies to conduct scientific research and give vocational training for the welfare of the company.

Article 217

In order to achieve the intended goals of articles (214), (215) and (216) of this law, the net profit of a public shareholding company represents the difference between the total realised revenues in any fiscal year on the one hand, and the sum of expenses and depreciation in that year on the other hand, before deducting the allocations for income and social service taxes.

Article 218

The company may set up a saving fund for its employees, which enjoys a corporate entity status, and has financial and administrative independence in accordance with special regulations to be laid down by the board of directors.

Article 219

- DRAFT**
- Whinnie, M. J.*
- a) The rights entitling shareholder to obtain their share of the company's profits accrues on the date of adopting a resolution by the general assembly regarding distribution of dividends. Not more than 5% of the annual net profits allocated for distribution may be retained for a period not exceeding two consecutive years, unless the general assembly so approves, and determines the period for the retention of this profit. The said retained profits may be distributed to shareholders after the lapse of the said period.
 - b) The shareholders registered in the company's registers are the only persons recognised by the company to have the right to collect the dividends therefrom. This collection shall be on the date determined by the general assembly in its meeting for the distribution of the said dividends. The board of directors of the company must publish this date in at least two local daily newspapers and in other types of media, on the day following the meeting of the general assembly. The Controller and the Financial Market must be informed of such a decision.
 - c) The company shall commit itself to pay dividends agreed upon to shareholders within sixty days from the date of the meeting of the general assembly. In the event that the company fails to abide by such a commitment, it shall be committed to pay interest at a rate equal to the highest interest rate set on deposits by the Central bank of Jordan in the year during which the profits are to be distributed, and before distributing dividends provided that the delay period must not exceed six months from the due date.

Part Seven
Auditors

Article 220

- a) The general assembly of any of a public shareholding company, a limited partnerships in shares, and a limited liability company, shall elect one or more licenced auditors, for one renewable year, and shall determine their fees.
- b) If the general assembly fails to elect an auditor, or if the auditor has not been elected, or declines to carry out the work for any reason whatsoever, or if he dies, the board of directors must recommend to the controller at least three auditors, within fourteen days from the date of the vacancy of such a post, with the intention of electing one of them.

Article 221

The auditors shall undertake jointly and severally to supervise the company's operations and to audit its accounts, and they in particular must perform the following duties :

- a) To periodically audit the company's registers, financial records and documents, and to ascertain that they are properly maintained.
- b) To review the financial and administrative by-laws of the company, and its internal controls to ensure its appropriateness for the company's business and the safeguarding of its assets.
- c) To verify the company's assets and its ownership thereof and to ascertain the legality and correctness of the company's obligations.
- d) To peruse the board of directors' resolutions and the instructions issued by the company.
- e) Any other duties the auditor must perform in accordance with this law, the auditing profession laws, the other related regulations thereto and generally accepted auditing standards.

Article 222

Should the auditor fail, for any reason whatsoever, to perform the duties and responsibilities vested in him in accordance with the provisions of this law, then he must, prior to declining the audit of the company's accounts, submit to the Controller a report in writing, with a copy thereof to the board of directors. This report must include the reasons that hinder his work or prevent him from performing his duties. The Controller must discuss these reasons with the board of directors, and find solutions thereto. But if the Controller fails to do so, then he must put the matter before the general assembly at the next meeting to be held.

Article 223

With due regard to the auditing profession laws in force and any rules or law which has any relation to this profession, the auditor must prepare a report in writing to the general assembly. The auditor, or any one delegated by him, must read out that report before the assembly and send a copy thereof to the Controller after the approval of the balance sheet by the board of directors. The said report must be duly signed by the auditor and must be attached to the balance sheet, and the information related thereto, and the report must include the following :

1. That the auditor has obtained all the information and explanations necessary, in accordance with generally accepted auditing standards.
2. That the examinations he has made of the company's accounts and financial records are adequate, and necessary for performing his duty in a satisfactorily manner.
3. That the company's internal financial controls are organised properly in accordance with special by-laws and that they achieve the objectives for which they were laid down.
4. That the company has proper books of account, registers and documents maintained in accordance with generally accepted accounting principles and can clearly show the financial position of the company and its results.
5. That the balance sheet, the profit and loss account and the statement of sources and application of funds presents fairly the company's financial position and the results of its operation, and are in agreement with the enforced rules and regulations and generally accepted accounting principles.
6. The physical verification of the company's assets has been carried out in the presence of the auditor, or his representative, and that the physical verification has been done in accordance with generally accepted practices consistently applied each year, and that the company's receivables and payables have been examined are in agreement with its registers and in accordance with the generally accepted practices.
7. That the financial information included in the board of director's report which is to be submitted to the general assembly is in compliance with the company's records and registers.
8. Any violations which have been made by the company or its board of directors of this law, or of the company's articles of association, and whether any of these violations still exist and the extent of their effect on the company's financial position and the results of its operations.
9. Any other data, information or observations which are of direct relation to matters of importance to shareholders and which the auditor observes whilst carrying out his duties, other than those listed in the cases stated in this article.

b) The auditor must give his final opinion on the company's balance sheet and profit and loss account in one of the following ways :

1. Absolute approval of the annual balance sheet and profit and loss account.
2. Qualified approval of the balance sheet and profit and loss account, provided that he must state the reasons for such a qualification and its effect on the company.
3. Non approval of the balance sheet and profit and loss account and return them back to the board with the reasons justifying such a non-approval.

Article 224

The company's general assembly, in the event the auditor abstains from recommending approval of the balance sheet and returning it to the board, may decide the following :

- a) Request the board of directors to rectify the balance sheet and the profit and loss account in accordance with the auditor's suggestions, and consider them as certified after making such a rectification.
- b) Refer the matter to the Minister in order to appoint a committee of experts from among licenced auditors to arbitrate in the dispute arising between the company's board of directors and its auditors. The decision of the said committee shall be binding, after presenting it to the general assembly for its approval. The balance sheet and the profit and loss account shall be corrected accordingly.

Article 225

The auditor is not entitled to participate in the formation of public shareholding company which he audits, nor to be a member of its board of directors, or to work permanently in any technical, administrative or consultancy work therein, or to be a partner to any members of its board of directors, or to be an employee thereof, otherwise any action in violation of the provisions of this article shall be considered null and void.

Article 226

The board of directors must provide the auditor with a copy of the reports and statements which it sends to the shareholders, including the invitation for attending the meetings of the company's general assembly and the auditor or his representative must attend that meeting.

Article 227

- a) The auditor shall be the representative of the shareholders to the extent of the duties vested in him.
- b) Each shareholder may, during the meeting of the general assembly, request clarification from the auditor regarding his report and may discuss the matter with him.

Article 228

Should the auditor be aware of any violations of the law or of the company's articles of association or any important financial matters which may adversely affect the financial and administrative position of the company, he must immediately notify in writing, the chairman of the board of directors, the Controller and the Market as soon as he becomes aware of these matters.

Article 229

The auditor shall be liable towards a public shareholding company for compensating any damage that the company may incur as a result of faults he has made while carrying out his duties. If the company has more than one auditor and they jointly make that fault, then they shall jointly be responsible to the company for that fault. Any claim arising in any of the aforesaid fault cases, shall be prescribed after the lapse of three years from the date of holding the meeting of the company's general assembly in which the auditors report has been read out. Should the auditor commit a crime, then he shall not be discharged of his responsibilities unless legal proceedings for the common right is prescribed. The auditor shall be liable for compensating for the damage which the shareholders or others incur in good faith as a result of his fault.

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Article 230

Notwithstanding the main obligations of the auditor, the auditor must not disclose to the shareholders at the place of the general assembly meeting or in any other places or at any time or to non-shareholders any company secrets which come to his knowledge in the course of his duty, or otherwise he shall be dismissed and requested to compensate for damages.

Whitney & Co.

Article 231

The company's auditor and his employees shall not be permitted to speculate in the shares of the company which he audits, whether such a speculation is being done directly or indirectly, otherwise the auditor shall be penalised by dismissal from his job as an auditor of the company and shall be requested to compensate for any damage that he has caused as a result of his violation of the provisions of this article.

Part Eight
Holding Companies

Article 232

- a) A holding company is a public shareholding company which undertakes to control the financial and administrative matters of one or more companies, ownership of at least the absolute majority shares of that company or companies, whether the said companies are public shareholding companies or limited liability company's or limited partnerships in shares, and the words (Holding Company) shall be stated name on all its stationery, notices and other documents issued thereby.
- b) The holding company shall not have the right to own shares in general partnerships or in limited partnerships.
- c) The subsidiary company shall not have the right to own any shares in the holding company.

Article 233

The objectives of the holding company are the following :

- a) Management of subsidiary companies and participation in the management of other companies in which it owns shares.
- b) Investment of its funds in shares, bonds and securities.
- c) Advancing loans, guarantees and financing to the subsidiary companies.
- d) Ownership of patents and trademarks and concessions and the like, of intangibles and the exploitation thereof, and leasing the aforesaid to its subsidiary companies or others.

Article 234

- a) A holding company shall be established in one of the following ways :
 1. Establishment of a public shareholding company, whose objectives are limited to those objectives stated in article (233) of this law or in inpart thereof, and the establishment of subsidiary companies thereto, or the possession of shares in public shareholding companies or in limited liability companies or in limited partnerships limited in shares to achieve the said objectives.
 2. Amendment of the objectives of existing public shareholding companies to be as those of a holding company in accordance with the provisions of this law.
- b) Organisational procedures of holding companies and subsidiary companies thereto, shall be determined by special regulations to be issued for this purpose in accordance with the provisions of this law.

Article 235

The provisions of this law are applicable to holding companies which are formed in the Kingdom under agreements concluded between the government of the Hashemite Kingdom of Jordan and other governments of Arab or international organisations, in the cases that are not stipulated in their establishment agreements or in their memorandum and articles of association.

Article 236

The consolidated balance sheet and profit and loss account of a holding company shall be organised in accordance with the regulations and forms issued by the Minister for that purpose.

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Part Nine
Mutual Fund Companies (Joint Investment Company)

Article 237

A public shareholding company, or a limited partnership in shares may be formed with objectives limited to the investment of funds for the account of others, through dealing with securities, provided that the capital of such a company must not be less than one million Jordanian dinars.

Article 238

Mutual fund companies may be in either of the two following forms :

- a) Companies having variable capital, and these are the companies that issue shares redeemable by the company at a price fixed with reference to its net current assets. The company is committed at any time to redeem these shares upon the request of its shareholders and at the price announced weekly by the company, and with the knowledge of the Market.
- b) Companies having a fixed capital; these are companies that issue unredeemable shares. These shares are negotiable in the Market at the prices determined by its forces.

Article 239

Joint investment companies may not own more than 3% of the shares of another similar company, nor may they invest more than 5% of their total assets in the shares of one company, and in all cases the company's total investment in other mutual fund companies must not exceed 10% of its total assets, and its cash liquidity must not at any time be less than 10% of its total assets.

Article 240

The provisions and special conditions relating to the organisation of the management of mutual fund companies, including the ways for investing their funds and the control thereof, shall be determined by special regulations to be issued in accordance with this law.

Part Ten
Offshore Companies (Exempt Companies)

Article 241

- a) An offshore company is a public shareholding company or a limited partnership in shares or limited liability company which is registered in the Kingdom and carries out its operations outside the Kingdom. The words (Exempt Company) shall be added to the name of the said company.
- b) An offshore company shall be prohibited from offering its shares for public subscription in the Kingdom, and Jordanians are also prohibited from subscribing to these shares.

Article 242

An offshore company shall be registered with the Controller in a register specially prepared for Jordanian Companies operating outside the Kingdom. The capital of such a company must not be less than five million Jordanian dinars if its activity is in the field of insurance, reinsurance, banking, financial institutions or is a mutual fund company.

Article 243

The offshore company must invest not less than 5% of its capital in the Kingdom in Jordanian securities.

Article 244

The provisions and special conditions relating to the formation of the offshore companies and their operations, the fees due by them, and the control thereof, shall be determined by special regulations to be issued in accordance with this law.

Part Eleven
Transformation, Merger and Ownership of Companies

Chapter One
Transformation of Companies

Article 245

Transformation of general and limited partnerships from one type into another may be made with the approval of all partners and by following the legal procedures of registration and registration of changes with occur thereon.

Article 246

Transformation of general and limited partnerships to limited liability companies or to limited partnerships in shares may be made by the following procedures :

- a) A written application should be submitted by all partners to the Controller expressing their intention to transform the partnership. The partners must enclose with the application the reasons and justification for the transformation, together with the form of company to which the transformation will be made. The following should be attached with the application.
 1. The balance sheet for each of the last preceding two years, duly audited by a licensed auditor, or the balance sheet of the partnership for the last fiscal year if no more than one year has elapsed since the partnership was registered.
 2. A statement made by the partners, estimating the partnership assets and liabilities.
- b) The Controller shall, within fifteen days from the date of submission of the application, announce, in at least one local daily newspaper, at the expense of the partnership, the intended transformation, and it should be indicated in the announcement as to whether the creditors or others have any objection to the transformation. The transformation shall not be accomplished except with the written approval of the creditors.
- c) The Controller shall verify the correctness of the estimate, of the net equity of the partners, in the way he deems suitable including the appointment of one or more experts to verify the correctness of these estimates. The partnership shall bear all the experts' fees as determined by the Controller.
- d) The Minister may or may not sanction the transformation upon the recommendation of the Controller.
- e) Should the Minister approve the transformation, then the procedures for registration and publication shall be carried out pursuant to the provisions of this law.

Article 247

A limited liability company and the limited partnership in shares may be transformed to public shareholding companies pursuant to the provisions stipulated in this law. The application shall be submitted to the Controller, and to which the following documents are to be attached to the application :

- a) A resolution of the general assembly of the company approving the transformation.
- b) The reasons and justification for the transformation based on an economic and financial study of the company's status, and how that status will be after the transformation.
- c) An annual balance sheet for the last three consecutive years preceding the application for transformation, provided that the average annual net profit is not less than 10% of the company's paid up capital.
- d) A statement that the company's capital is paid up in full.
- e) A statement from the company indicating the preliminary assessments of the value of its assets and liabilities.

Article 248

The Minister may, upon the recommendation of the Controller, approve the transformation of the limited liability company or the limited partnership in shares to a public shareholding company, within thirty days from the date of submitting the application referred to in article (247) of this law, and after completing the following procedures :

- a) Valuation of the assets and liabilities of the company wishing to be transformed, by a committee of experts and specialised persons. The committee shall be formed by the Minister, provided that one member of the committee is a licensed auditor. The Minister shall determine the remuneration of the committee, at the expense of the company.

Article 249

- a) The Controller shall announce the resolution of the Minister approving the transformation, in at least two daily local newspapers, and on two consecutive days, at the expense of the company.
- b) Any concerned person may object to the Minister against the transformation resolution within thirty days from the date of publishing the last announcement. Should the submitted objections, or any one of them, not be settled within one month from the date of submitting the last objection, then any one of the objectors may contest the resolution of the Minister at the High Court of Justice within thirty days from the expiry date of that period, provided that this contest shall not suspend the transformation procedures unless the court decides otherwise.

Article 250

The implementation in full of the procedures of registration and publication as stipulated in this law is a pre-requisite for transformation. Should the capital resulting from the valuation be less than the lower limit of a public shareholding company's capital as determined by this law, then the legal procedures concerning the formation of public shareholding companies shall be followed; and the net equity of the company intending to be transformed shall be considered as advance in kind against which shares in kind shall be issued, and the remaining shares shall be offered for public subscription.

Article 251

The transformation of any company into any other form of company shall not necessitate the emergence of a new corporate, but the entity company shall preserve its corporate entity and shall preserve all its rights and shall be liable for all its obligations prior to the transformation. The responsibility of the general partner, in his private properties, for the company's debts and obligations prior to the transformation date, shall remain valid.

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Chapter Two
Merger of Companies

Article 252

Merger of companies stated in this chapter shall be accomplished by any one of the following ways, provided that the objectives of the companies wishing to merge be identical or complementary :

- a) By the merger of one company or more with another company called the (Merging Company), and the merged company or companies shall disappear and the corporate entity of each of them shall no longer exist.
- b) By the merger of two companies or more to form a new company, which will be the result of the merger, and the companies and the corporate entity of each of them shall no longer exist.
- c) By the merger of branches and agencies of foreign companies operating in the Kingdom, with an existing Jordanian public shareholding company, or with a new company which will be formed for this purpose, and the said branches and agencies shall disappear and the corporate entity of each of them shall no longer exist.

Article 253

Should two companies or more, of the same kind merge with an existing company, or form a new company, then the merging company or the company resulting from that merger shall also be of that kind. However, a limited liability company or a limited partnership in shares may merge with an existing public shareholding company or form a new public shareholding company.

Article 254

The merged company, along with its shareholders and the merging company resulting from the merger, shall be exempted from all taxes and fees due on the merger or as a result thereof.

Article 255

The application for merger shall be submitted to the Minister, and the following statements and documents should be attached thereto :

- a) The resolution of the extraordinary general assembly of each company wishing to merge, or the resolution of all partners, as the case may be, approving the merger pursuant to the terms and statements specified in the merger agreement, including the set date for final merger.
- b) The merger contract, concluded between the companies wishing to merge, duly signed by those who are authorised to sign on behalf of their companies.
- c) Audited statement of financial position of each company wishing to merge, to the closest date to the resolution of the general assembly of each company, or to the resolution of partners approving the merger:

- d) The two most recent audited balance sheets of the companies wishing to merge.
- e) A preliminary valuation of the assets and liabilities of the companies wishing to merge at the actual or market value.
- f) Any other statements deemed necessary by the Controller.

Article 256

The Market and the Controller should be notified of the resolution of the Board of Directors of each company wishing to merge, and the shares of each company shall be suspended from being traded in the Market as of the date of notification of the resolution. The dealings in the shares shall be resumed after the completion of the merger procedures and registration of the merging company, or the company resulting from the merger.

article 257

- a) The Minister shall refer the application for merger, together with the enclosures, to the Controller to study and submit his recommendation thereof to the Minister, if the merger concerns a public shareholding company or if it will result in a public shareholding company.
- b) The Controller should submit to the Minister, his recommendation with respect to the application, within one month of the date of referring the application to the Committee or to the Controller, as the case may be.

Article 258

Should the Minister approve the application for merger, he should form an (Evaluation Committee) whose membership should include the Controller or his representative, the auditors of the companies, and a suitable number of specialised and experienced persons. The committee shall undertake to evaluate all the assets of the companies wishing to merge along with their liabilities, in order to point out the net equity of the shareholders or partners, as the case may be, at the date fixed for the merger. The committee shall submit its report to the Minister along with the opening balance sheet for the company resulting from the merger, within a period not exceeding ninety days of the date of referring the matter thereto. The Minister may extend this period for another similar period should the circumstances necessitate that. The wages and remuneration of the committee shall be determined by a resolution adopted by the Minister, and they shall be equally borne by the companies wishing to merge.

Article 259

The companies which have decided to merge, must prepare separate accounts, of their results, under the supervision of their auditors as of the date of the merger, and until the final approval thereof. The results of these companies during the said period shall be presented to the combined meeting of the partners, as the case may be, accompanied with the auditors report of these companies for approval.

Article 260

The Minister shall form an Executive Committee from the chairman and members of the board of directors of the companies wishing to merge, or from the managers of those companies, as the case may be, and the auditors of the companies, in order to carry out the executive procedures for merger and especially the following :

- a) Determining the shares of the shareholders or the shares of the partners in the merged companies, relying on the evaluation made by the (Evaluation Committee) stipulated in article (258) of this law.
- b) Amending the memorandum and articles of association of the merging company, if it exists or preparing the memorandum and articles of association for the new company emerging from the merger.
- c) Inviting the extraordinary general assembly of the shareholders in the companies merged in order to approve the following, provided that resolutions are taken with a majority of 75% of the shares represented :
 1. The memorandum, and the articles of association of the new company or the amended memorandum and articles of association of the merging company.
 2. The results of the evaluation of the assets and liabilities of the companies, and the opening balance sheet for the new company resulting from the merger.
 3. The final approval of the merger.
- d) The new board of directors shall furnish the Controller with the minutes of the meeting of the combined general assembly within seven days from the date of the meeting.

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Article 261

- a) The procedures for approval, registration and publication as determined in accordance with this law should be followed for the registration of the emerging company or that one merging from the merger and for cancellation of the registration of the merged companies.
- b) The Controller shall announce, in the official gazette and in two local daily newspapers on two successive days, at the expense of the company, a summary of the merger contract and the results of the evaluation, along with the opening balance sheet for the merging company or for the company resulting from the merger.

Article 262

The boards of directors of the companies which decide to merge shall continue to function until the completion of the registration of the merging company, or of the company resulting from the merger, and then the Executive Committee referred to in article (260) shall take over the management of the company for a period not exceeding thirty days, during which it shall invite the general assembly of the merging company or of the company resulting from the merger in order to elect the new board of directors. This should be done after allotting the shares resulting from the merger. The general assembly

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Article 263

The Minister shall issue instructions concerning with the merger procedures and settle the objections submitted thereon.

Article 264

- a) The corporate bondholders and the creditors of the merging companies or the merged companies, and any concerned shareholders or partner, may object to the Minister within thirty days of the date of the last announcement published in the local newspapers in accordance with the provisions of article (261), provided that the objecting person should indicate the subject matter of his objection, the reasons on which he based his objection and the specific damages which he claims that the merger has inflicted on him.
- b) The Minister may refer the objections to the Controller to settle them. If the Controller fails to do so for any reason within thirty days of the date of submitting the objections thereto, the objecting person shall have the right to contest the merger before the court. These objections and the law suits that may be made at the court shall not suspend the resolution for merger .

Article 265

If the merger did not comply with any of the provisions of this law, or should the merger prove to be contravening the public order, then anybody concerned may appeal to the court, contesting the merger, and demanding annulment thereof, provided that this takes place within sixty days of the date of announcing the final merger, and the litigant should indicate the reasons on which he based his litigation and especially the following :

- a) Should it be found that there are deficiencies which abrogate the merger contract, or should there be an essential and clear discrepancy in the evaluation of the shareholders' equity.
- b) Should the merger involve an arbitrary act in using the rights or should it aim at achieving a direct personal interest to any one of the boards of directors of the companies merging together, or to the majority of partners in any one of the companies at the expense of the rights of the minority.
- c) Should the merger be set up by deceit or fraud, or should the merger cause harm inflicted on the auditors.
- d) Should the merger lead to a monopoly, or should it be preceded by a monopoly, and should it become evident that the merger inflicts harm to the public economic interest.

Article 266

Contesting the legality of the merger shall not suspend the continuation of putting it into effect until the issuance of a court judgement considering the merger as invalid. The court may, when considering the claim of invalidity of the merger, assign by itself a certain period for correcting the causes which have lead to the contest of invalidity, and it may dismiss the claim for invalidity should the concerned body correct the situation prior to the issuance of the court judgement.

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Article 267

The chairman, the members of the board of directors, the General Manager, and the auditors of each one of the merged or merging companies, shall be considered personally responsible towards a third party for any claims or commitments or liabilities that may be raised against the company and that were not recorded or were not declared prior to the final merger. The court may acquit those persons from this responsibility, should it become certain to it that they were not responsible for those commitments and liabilities or they were not aware of them.

Article 268

All the rights and liabilities of merged companies shall be automatically and legally transferred to the merging company, or to the company resulting from the merger, after the completion of merging procedures and registering the company pursuant to the provisions of this law. The merging company, or one resulting from the merger, shall be considered a legal successor to the merged companies and shall legally replace them in all their rights and liabilities, within the limitations of what was agreed upon in the merger contract, without violating the rights of the creditors.

Article 269

Should liabilities or claims appear, after the final merger, on one of the merged companies, and should they have been hidden by some authorised person or employees in the company, then these liabilities or claims shall be paid to the owners by the merging company or by the company resulting from the merger, and these shall have the right to claim what they have paid from those authorised persons or employees who shall also be subject to the penalties for that act by the laws in force.

Chapter Three
Ownership of Public Shareholding Companies

Article 270

Notwithstanding what is provided for in this law, a public shareholding company may own the shares of another public shareholding company either in full or more than 50% of those shares. The company in which the shares have been owned in full shall preserve its corporate entity and shall stay in existence and shall be called (The subsidiary Company) and the owning company shall be called (The Mother Company).

Article 271

- a) Should a public shareholding company wish to own in full the shares of another public shareholding company, it must submit an application to the Minister, a copy of which shall be dispatched to the Market. The application must incorporate the reasons and justifications of the intended ownership along with the offered price for purchase and any other details the Minister requires.
- b) The Minister shall refer the application to the Issuing Committee to give its opinion and comments thereon. The Minister may approve the application or reject it according to the reason he finds convincing to him.
- c) The Market shall suspend negotiation of the shares of a public shareholding company whose shares are to be purchased, as from the date of submitting the ownership application to the Minister.
- d) A public shareholding company wishing to purchase the said shares should submit an offer to the shareholders of the other public shareholding company. The offer should incorporate all the terms concerned with the basis of purchase, the offered price, the validity of the offer and the name of the financial institution that guarantees the offer. The said offer must be sent by registered mail to every shareholder. The sale shall be accomplished through the Market in accordance with a special arrangement for this purpose.
- e) The ownership shall be announced after the completion of the purchase procedures in the Official Gazette and in at least two local daily newspapers on two consecutive days, provided that the announcement must include the names of the mother company and of the subsidiary company, a summary of the purchased shares and the price at which they were purchased, the method of paying the costs, the date and place of sale and any other statement that the Market finds suitable in coordination with the Controller.

Article 272

- a) The Subsidiary Company, whose shares have been bought in full, should be managed by a management committee which shall be appointed by the board of directors of the mother company. The subsidiary company should, in this event, prepare its annual balance sheet and its closing financial statements in accordance with the terms provided for in this law and shall be submitted to the general assembly of the mother company.

- b) The "parent company" should prepare a consolidated balance sheet particularly for the wholly owned subsidiaries.

Article 273

Should the parent company wish to sell the shares of its wholly owners subsidiary, it must obtain the Minister's approval. The sale, in this case, shall be accomplished in accordance with the terms determined by the Minister upon the recommendation of the Issuing Committee, provided that the period during which the mother company has maintained the ownership of those shares is not less than three years in order to be eligible for selling the said shares.

Article 274

- a) Any person who offers any information or declarations which are not true, for the purpose of influencing any shareholders or misleading or deceiving them to sell their shares in any public shareholding company, whose shares are intended to be owned in full or in part pursuant to the provisions of this chapter, shall be penalized by imprisonment for a period not less than one month and not more than one year, in addition to a fine not less than one thousand Jordanian dinars and not more than ten thousand Jordanian dinars.
- b) The penalties stipulated in paragraph (a) of this article are applicable to the Board of Directors of both the selling and the purchasing companies, and to the chairman of the boards and any member thereof, and to any other person proved to have committed any act or action which involves selling of shares in collusion with any one of the shareholders, in any one of the two companies, or by enticing him by any means to oblige him to sell his shares.

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Part Twelve
Foreign Companies

Chapter One
Foreign Companies Operating in the Kingdom

Article 275

- a) For the purpose of this law, an operating foreign company means a company or a body which is registered outside the Kingdom, and its head office is in another state, and its nationality is considered non-Jordanian.
- b) Any foreign company or body may not practice any commercial business in the Kingdom unless it is registered pursuant to the provisions of this law, after obtaining a work permit in accordance with the laws and regulations in force.

Article 276

- a) The application for the registration of the foreign company or body shall be submitted to the Controller accompanied by the following data and documents, translated into Arabic, provided that the Arabic translation be authenticated by a Notary Public in the Kingdom :
 - 1. A copy of the memorandum and articles of association of the company or body or any other documents relating to its formation procedures.
 - 2. The written official documents which certify that it obtained the approval of the concerned authority in the Kingdom for carrying out the work and investing the foreign capital therein, in accordance with the legislations in force.
 - 3. A list of the names of the members of the board of directors of the company, or the body or the committee of directors or partners as the case may be, along with the nationality of each one of them, in addition to the names of the persons who are authorised to sign on behalf of the company.
 - 4. A copy of the proxy according to which the foreign company authorises a person resident in the Kingdom to receive notifications on its behalf.
 - 5. A balance sheet, authenticated by a licensed auditor, for the previous fiscal year of the company in its headquarters.
 - 6. Any other data or information that the Controller finds necessary to be submitted.
- b) The application for registration must be signed by the person authorised to register the company before the Controller or the person authorised by him in writing, or the Notary Public. The application must incorporate the fundamental information about the company, especially the following :
 - 1. The name of the company, its type and capital.

2. The objectives of the company in the Kingdom.
3. Detailed information about the promoters or the partners or the board of directors, and the share of each one of them.
4. Any other data or information the Controller deems necessary to be submitted.

Article 277

- a) The Minister may, upon the recommendation of the Controller, approve or reject the registration of the foreign company or body. In the event of approval of registration, the Controller shall arrange to finalise the legal procedures for the registration of the company or body in the foreign companies register, and he shall announce this registration in the official gazette after collecting the legal fees.
- b) The procedures as stated in paragraph (a) of this article shall be applicable to any change that may occur to the company's statements which were submitted during the registration procedures. The company must submit the changes to the concerned authority within thirty days of the date of their occurrence.

Article 278

- a) The foreign company or body registered pursuant to the provisions of this law should undertake the following :
 1. To submit to the Controller, within three months from the end of each fiscal year, its balance sheet and the profit and loss account of its operations in the Kingdom duly certified by a Jordanian licensed auditor.
 2. To publish the balance sheet and the profit and loss account on its operations in the Kingdom in at least two local daily newspapers within sixty days from the date of submitting these statements to the Controller.
- b) The Controller, or his representative, may inspect the company's books and documents should he deem that necessary, and the company must put those books and documents at his disposal.

Article 279

The foreign company or body must notify the Controller in writing of the date it expects its operations will end in the Kingdom, or the date specified for the termination thereof, at least thirty days prior to that date. The foreign company must prove to the Controller that it has already settled all its commitments resulting from its operations in the Kingdom prior to obtaining the approval for cancelling its registration.

Chapter Two
Non-Operating Foreign Companies in the Kingdom
(Companies with Regional Offices and Representative Offices)

Article 280

- a) For the purpose of this law, a non operating foreign company in the Kingdom is a company which has a regional office or representative office in the Kingdom, for operations that it conducts outside the Kingdom, with the aim of using such a regional or representative office for managing its operations and coordinating them with its headquarters.
- b) A non-resident foreign company is prohibited from carrying out any business or commercial activity inside the Kingdom, including the operations of commercial agents and middlemen, otherwise it will suffer the penalty of cancelling its registration and will be responsible for compensation of any loss or damage it may have caused to others.
- c) The registration of non-operating foreign companies in the Kingdom may be made pursuant to the provisions of this law for the purpose of establishing regional offices, or representative offices, or for providing services or for technical or scientific offices.

Article 281

- a) The application for the registration of non-operating foreign company shall be submitted to the controller, together with the following documents and statements translated into Arabic language, and duly certified by a Notary public in the Kingdom.
 1. The registration certificate of the company in its home country.
 2. The company's memorandum and articles of association which indicates its type, its capital and its objectives.
 3. A copy of the power of attorney by which a resident person in the Kingdom is authorised to deal with the company's affairs (including its registration) for the purpose of this law.
 4. A balance sheet for the company's latest fiscal year in its home country, which should be certified by a licensed auditor.
 5. Any other data or information the Controller deems necessary to be submitted.

- b) The application should be signed before the Controller or any one authorised by him in writing, or before the Notary Public, provided that the application incorporates the fundamental information about the company and especially the following :
1. Name of the foreign company, its headquarters, the date of its registration and its objectives.
 2. Type of the company, its nationality, and its address in the country of its registration.
 3. The capital of the company, names of the promoters or partners, nationality of each of them and their shares along with information relating to its board of directors.
 4. Any other information the Controller deems necessary to be submitted.

Article 282

- 1) The Minister may, upon the recommendation of the Controller, approve or reject the registration of the non-operating foreign company. In the event of approval of the registration, the Controller shall arrange to finalise the registration of the company in the register of non-operating foreign companies, and to announce this registration in the official gazette.
- 2) The procedures of approval, registration and publication shall be followed in the case of any changes that may occur to the basic information relating to the company, and about its representative in the Kingdom. The said changes must be notified to the Controller within thirty days from the date of their occurrence.

Article 283

A non-operating foreign company enjoys the following :

- 1) Exemption from registration and publication fees imposed on operating foreign companies.
- 2) Exemption of profits generated by the foreign company, from businesses conducted outside the Kingdom, from both income and social services taxes.
- 3) Exemption from registration with the Chambers of Commerce and Industry, and from professional associations, and exemption from paying the registration fees therewith, and from any commitments to them, including the trade license.
- 4) Exemption of imported furniture and equipment necessary to furnish the offices of its regional office, from custom duties and other fees and charges.
- 5) Granting of permission to import into the country trade samples and models, free from custom duties and import taxes.
- 6) Exemption of salaries and wages which the non-operating foreign company pays to its non-Jordanian employees who are working at its regional office in the Kingdom, from income and social services taxes.

- g) Granting permission to each non-Jordanian employee in the company to import one car every five years, under temporary entry, for his personal use, as long as he is working with the company and residing in the Kingdom.

Article 284

The number of the Jordanian employees in a non-operating foreign company in the Kingdom should not be less than half of the total of the company's employees.

Article 285

A non-operating foreign company shall be permitted to open with licensed commercial banks a non-resident account in Jordanian dinars or in a foreign currency, provided that these funds have been transferred to the company from abroad through this bank.

Article 286

The Minister may, upon the recommendation of the Controller, cancel the registration of a non-operating foreign company in the Kingdom, should it become evident to him that the company has conducted any commercial business in the Kingdom, or violates the provisions of this law or any regulations or instructions issued pursuant thereto.

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Part Thirteen
Liquidation and Dissolution of a Public Shareholding Company

Chapter One
General Rules for Liquidation

Article 287

A public shareholding company shall be liquidated either voluntarily, per a resolution adopted by its extraordinary general assembly, or mandatorily by a court order. The company shall not be dissolved until finalising the procedures of its liquidation per the provisions of this law.

Article 288

Should a resolution be adopted for liquidating a public shareholding company and appointing a liquidator, the liquidator shall supervise the operations of the company and safeguard its funds and assets.

Article 289

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- a) The company under liquidation shall suspend its operations as of the date of commencing the liquidation procedures, to the extent necessitated by the liquidation procedures. The corporate body of the company continues to exist, and shall be represented by the liquidator, until it is dissolved after finalising its liquidation.
 - b) The party which decides to liquidate the company must provide the Controller and the Market with a copy of its resolution within three days from its adoption, and the Controller must publish same in the official gazette and in at least two local daily newspapers within a period not exceeding seven days from the date of his notification of the resolution.
 - c) The liquidator should add (Under Liquidation) to the name of the company on all its stationery and correspondence.

Article 290

- a) The following shall be considered to be illegal acts :
 1. Any disposal of the properties and rights of a public shareholding company which is under liquidation, and any negotiation of its shares and transfer of their ownership.
 2. Any change or modification of the commitments of the chairman and board of directors of the company under liquidation, or of the commitments of others towards the company.
 3. Any attachment of the properties and assets of the company, and any other disposal or execution effected on those properties and assets after the issuance of the resolution for liquidating the company.

4. All mortgage contracts or insurance policies for the properties and assets of the company, for contracts and other procedures that impose commitments or preference on the properties and assets of the company, should these be affected during the three months preceding the adoption of the resolution for liquidating the company, unless it is proved that the company is capable of settling all its debts after finalising the liquidation. This falsehood shall not be applicable except to the amount which exceeds the amounts paid to the company, per those contracts, when it was formed or thereafter in addition to the lawful interest thereon.
5. Any transfer of the property and assets of the company under liquidation or any assignment thereof, or disposing of them in a fraudulent way to give priority to some creditors of the company over others.
 - b) A judgement creditor of the company loses his right to the properties and assets of the company which he has attached and in any other actions concerned therewith, unless the attachment or the action were executed prior to the commencement of liquidating the company.
 - c) Should the proceeding officer be notified of the resolution for the liquidation of the public shareholding company prior to the sale of its attached properties or assets, or prior to finalising the transaction of execution thereon, then he shall be obliged to hand over those properties and assets to the liquidator including what he took over from the company. The proceeding expenses and fees shall be considered as a priority debt on those properties and assets.
 - d) The court shall permit the liquidator to sell the assets of a public shareholding company which is under liquidation, whether the liquidation is voluntary or mandatory, if it becomes evident to the court that the interest of the company necessitates that.

Article 291

The liquidator shall settle the company's debts in accordance with the following order, after deducting liquidation expenses, including the remuneration of the liquidator, and any violation of this order shall be considered invalid:

- a) The amounts due to the employees of the company.
- b) The amounts due to the Treasury and to the municipalities.
- c) The rents due to the owner of any real estate leased to the company.
- d) The other amounts due in accordance with the order of priority in accordance with the laws in force.

Article 292

- a) Should any promoter of a public shareholding company, or chairman or a member of its board of directors, or any manager or employee thereof, abuse the use of the properties of a company under liquidation, or retain that property or become committed for its repayment or be responsible for it, then he shall be obliged to return it to the company along with his legal interest, and shall also be liable to compensate for any damage he inflicted on the company or on others, in addition to bearing the penal liability imposed on him per the legislations in force.
- b) Should it appear during the liquidation that some of the company's operations were carried out in a fraudulent manner so as to deceive the creditors of the company, then the present and former chairman and members of the board of directors of the company who took part in those operations shall be considered personally liable for the company's debts and liabilities or for any one thereof as the case may be.

Article 293

- a) Should the liquidation not be finalised during one year of the commencement of the procedures, within, then the liquidator should send to the Controller a statement incorporating the liquidation details along with the stages far reached. Under all circumstances the liquidation period should, conditionally, not exceed three years except in exceptional cases that shall be judged by the court of appeal provided that the liquidation, in these cases, shall not be extended for one more year, to be judged by the court.
- b) Every creditor and debtor of the company shall have the right to examine the statement stipulated in paragraph (a) of this article, and if it appears from the statement that the liquidator is still holding any amount of the company's funds that has not been claimed by any one or has not been distributed after the lapse of six months from the date of receiving it, the liquidator should immediately credit that amount to the company's account opened with the bank assigned by the Controller.

Chapter Two
Voluntary Liquidation

Article 294

A public shareholding company shall be voluntarily liquidated in any of the following circumstances :

- a) Upon the expiry of the specified period of the company unless the general assembly adopts a resolution to extend the period.
- b) Upon fully achieving the objectives for which the company was established, or due to the impossibility of achieving these objectives.
- c) In execution of a resolution adopted by the general assembly to dissolve or to liquidate the company.
- d) In other circumstances stipulated in the articles of association of the company.

Article 295

- a) The general assembly of a public shareholding company upon adopting a resolution for liquidating the company, shall appoint one or more liquidators. If the general assembly does not appoint a liquidator, then the Controller will do so and will determine the remuneration thereof.
- b) The procedures for liquidating the company commence as of the date of adopting the resolution for liquidation by the general assembly, or as of the date of appointing the liquidator, should he be appointed after the date of the resolution for liquidation.

Article 296

The liquidator shall settle the public shareholding company's rights and commitments and liquidate its assets in accordance with the following procedures :

- a) The liquidator shall exercise the powers vested in him by the law for carrying out the company's mandatory liquidation.
- b) The liquidator shall organise a list of the names of the company's debtors, and he shall submit a report on the transactions and procedures he carried out to claim the payment of the instalments and debts due to the company by its debtors. This list shall be considered as prima facie evidence of the persons whose names appear in the list as debtors of the company.
- c) The liquidator shall pay the company's debts and shall settle its rights and commitments.
- d) Should more than one liquidator be appointed, their resolutions shall be adopted pursuant to what is stipulated in their appointment contract, and should there be no stipulation about this matter in that contract, then their resolutions shall be adopted unanimously or by their absolute majority, and the court shall have the final decision in the event of any disagreements arising among them.

Article 297

- a) Every agreement concluded between the liquidator and the creditors of a public shareholding company shall be considered binding upon the company, should the company's general assembly approved that agreement. It shall also be binding, should it be accepted by a number of creditors whose total debts amount to three quarters of the debts due by the company. The creditors whose debts are guaranteed by a mortgage or preference or a security, shall not be allowed to participate in voting for the said agreement.
- b) Any creditor or debtor may contest the agreement stated in paragraph (a) of this article before the court within fifteen days of the date entered thereunto.

Article 298

The liquidator and the debtor or creditor of a public shareholding company, and other concerned persons, may appeal to the court to arbitrate in any matter that arises during carrying out the procedures of a voluntary liquidation, in the same way as arbitration is made on matters arising during carrying out a mandatory liquidation pursuant to the provisions of this law.

Article 299

- a) The liquidator may, during the process of voluntary liquidation, invite the general assembly of the company to a meeting to obtain its approval of any matter he deems necessary, including giving up the liquidation.
- b) The liquidator should summon the creditors of a public shareholding company by an announcement to be published in at least two local daily newspapers, to a general meeting to be held within two months of the date the resolution for liquidation was adopted. The liquidator shall, during the said meeting, present to the creditors a detailed statement on the financial status of the company, together with a list of the company's creditors and the amount of the claim of each one. The creditors have the right to appoint not more than three supervisors to assist the liquidator and monitor the progress of liquidation.

Article 300

The court, upon an application submitted thereto by the liquidator, or the Controller, or any concerned person, may decide to convert the voluntary liquidation of a public shareholding company into a mandatory liquidation, or to continue in voluntary liquidation, provided that the liquidation is carried out under its supervision and pursuant to the terms and limitations determined thereby.

Chapter Three
Mandatory Liquidation

Article 301

- a) An application for mandatory liquidation shall be submitted to the court per a statement of claim by the Attorney General, or by the Controller in any of the following two circumstances.
1. Should the company commit serious violations of the law or of its articles of association.
 2. Should the company fail to fulfil its commitments.
- b) The court shall order the mandatory liquidation of the company in accordance with the provisions of paragraph (a) of this article, or in any one of the following circumstances :
1. Should the company suspend its operations for one year without a legal or justified cause.
 2. Should the losses of the company exceed 75% of its capital, unless the general assembly of the company adopts a resolution to increase the capital of the company.

Article 302

- a) The court shall be deemed to have commenced the liquidation of the company as of the date of submitting the statement of claims thereto, for the liquidation of the company. The court may adjourn the hearing, or it may dismiss the claim or may order the liquidation, along with the payment of the costs and expenses by the person responsible for the cause of liquidation.
- b) The court may, upon considering the claim for the liquidation of the company and prior to the issue of the liquidation order, appoint a liquidator, define his powers and oblige him to submit a guarantee to the court. The court may also appoint one or more liquidators, and it may dismiss or replace them, and it shall notify these instructions to the Controller.
- c) The court may, at the request of the plaintiff for liquidation, retain any actions or proceedings that have been taken or filed against the company before the courts, and no new actions or proceedings against the company shall be proceeded with, after the filing of the claim for liquidation.

Article 303

The court may, upon the request of the liquidator, issue an order authorising him to take possession of all the properties and assets of a public shareholding company. The court may, after the issue of its order, to any debtor or agent thereof, or bank or delegate or employee, which then to pay, or deliver, or transfer to the liquidator forthwith all such money, books, records and correspondence in his or its possession and belongs to the company.

- c) The court order against any debtor shall, subject to right of appeal, be considered as conclusive evidence that the amount for which the order has been made for the payment thereof is due from the debtor.
- d) The court may fix the period within which the creditors of the company shall prove their debts or their claims, otherwise they shall be deprived of their rights to retrieve their debts from the properties and assets of the company upon distributing them to the creditors.

Article 304

- a) The liquidator may carry out any one of the following actions and procedures in order to finalise the liquidation of a public shareholding company.
 - 1. Managing the company's operations to the extent necessary for its liquidation.
 - 2. Submitting any claim or taking any legal measures in the name of the company or on its behalf, in order to collect its receivables and preserve its rights.
 - 3. Entering as a party in all court claims and proceedings relating to the company's properties and interests.
 - 4. Appointing any lawyer or expert or any other person to assist him in performing his duties in liquidating the company.
- b) Any creditor or debtor may apply to the court about the way the liquidator is exercising his powers indicated in the preceding paragraph, and the judgement of the court on such an application shall be conclusive.

Article 305

- a) The liquidator of a public shareholding company undertakes to comply with the following matters :
 - 1. To deposit the moneys he has received on behalf of the company, in the bank which shall be designated by the court for this purpose.
 - 2. To provide the court and the Controller, at the prescribed times, with a statement of account, duly audited by the liquidation auditor, showing his receipts and payments as liquidator. This account shall not be considered final except after being approved by the court.
 - 3. To keep accounting books and records, properly organised in accordance with generally accepted practices for liquidation procedures, which any creditor or debtor may inspect after obtaining court approval.
 - 4. To summon the creditors or debtors to general meetings to ascertain their claims and listen to their suggestions.

5. To observe the orders of the court and the resolutions of the creditors and debtors, while supervising the properties and assets of the company and distributing them to its creditors.

Any person aggrieved by the deeds or acts or decisions of the liquidator may contest these by applying to the court, which may uphold or annul or amend such deeds or acts or decisions, and its decision shall be final.

Article 306

An order of the court for liquidating a public shareholding company or any order it issues during the process of liquidation may be appealed to the court of appeal in accordance with the rules and conditions for appeal laid down in the civil adjudication law in force, provided that no violation be made to the provisions of this article concerning the final orders of the court.

Article 307

After completing the liquidation process of a public shareholding company, the court shall issue an order that the company be dissolved, and the company shall be deemed dissolved as of the date of that order. The liquidator shall report this order to the Controller who shall publish it in the official gazette, and in at least two local daily newspapers. Should the liquidator fail to execute this action within fourteen days of the date of the order, then he shall be liable to a fine of ten Jordanian dinars for each day during which he is in fault.

Part Fourteen
Supervision Of Companies

Article 308

All companies must strictly abide by the provisions of this law and observe their memorandum and articles of association, and must implement the resolutions adopted by their general assemblies. The Minister and the Controller may take such measures which they deem suitable to supervise the companies in order to ensure that they comply with those provisions, contracts, regulations and resolutions. The supervision includes the following :

- a) Examining the accounts of the company.
- b) Ensuring that the company abides by the objectives for which it was established.

Article 309

Each shareholder and each partner in the companies which are registered per the provisions of this law, shall have the right to examine the information and documents related to and concerned with these companies, and which the Controller keeps. He shall also have the right to obtain an authenticated copy of any one of these documents against paying the fee stipulated in the regulations issued pursuant to this law.

Article 310

Shareholders holding not less than 20% of the capital of a public shareholding company, or of a limited partnership in shares, or of a company with limited liability, may request the Controller to inspect the company's operations and the books thereof. Such a request may also be submitted by at least one quarter of the members of the board of directors to the Controller. Should the Controller be convinced of the justifications of this request, he shall delegate one or more experts to perform this task, at the expense of the company. Should the inspection uncover any violation that necessitates investigation and verification, then the Minister shall refer the matter to a special investigation committee which he shall form for this purpose, under the chairmanship of the Controller, and one of its members shall be a licensed auditor. The committee shall investigate the correctness of the violation prior to referring the matter to the court.

Article 311

- a) The Minister shall, upon a request from the Controller, assign the employees of the Companies' Controlling Division at the Ministry, to undertake an audit of a public shareholding company's accounts and activities. Those employees are entitled, in this regard, to inspect the company's registers, books and documents and shall verify them at the company's headquarters. They are also eligible to direct any inquiries to the company's employees and the company's auditors. If the concerned company refrain from responding, such act as would be considered as a violation of the provisions of this law.

- b) Banks and financial institutions are exempted from the provisions of para(s) of this article.

Article 312

- a) If any public shareholding company, or a limited partnership in shares, or a limited liability company, fails to commence its operations within one year of the date of its registration, then the Minister may, upon the request of the Controller, cancel the registration thereof, and he shall announce this cancellation in the official gazette. The responsibility of the promoters towards others remains in existence as if the cancellations of the company's registration did not occur. This action shall not affect the power of the court to liquidate the company whose name has been cancelled from the register.
- b) Any person may apply to the court within three months from the date of publication of the notice in the official gazette, and if the court is satisfied that the company was carrying on its business at the time when its name was cancelled from the register, or if justice demands that its name be restored to the register, the court shall order the company's name to be restored, and the said company shall be considered as if it was not cancelled, and its existence remains in continuity.

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Part Fifteen
Penalties

Article 313

Any person who commits any of the following acts shall be liable to be penalised by imprisonment from one to three years, and by a fine not less than one thousand Jordanian dinars and not more than ten thousand Jordanian dinars :

1. Issuing shares, or share warrants or certificates, or delivering them to their owners, or offering them for negotiation, prior to the approval of the Articles of Association of the company and prior to the formation of the company, or permitting the company to increase its capital before announcing that in the official gazette.
 2. Making fictitious subscriptions for shares, or accepting subscriptions therefore in an illusory or unreal manner for non existent or unreal companies.
 3. Issuing corporate bonds and offering them for negotiation before maturity, in a manner which constitutes a violation of the provisions of this law.
 4. Preparing the balance sheet of any company and its profit and loss account in a manner which does not reflect the true financial position of the company, or incorporating in the report of the board of directors, of the company, or in the report of its auditors incorrect statements, and conveying to its general assembly incorrect information, or concealing information and clarifications, which should be clearly declared by the force of law, with the intention of concealing the real status of the company from the shareholders or other concerned parties.
 5. Distribution of profits which are fictitious or incompatible with the real position of the company.
- b) The penalties stipulated in paragraph (a) of this article shall be applied to any person who is involved in the illegal deeds indicated therein, and is the instigator therefore.

Article 314

- a) Should a public shareholding company or a limited partnership in shares or a limited liability company commit any violation to the provisions of this law, it shall be penalised by a fine not less than one thousand Jordanian dinars and not more than ten thousand Jordanian dinars, along with nullification of the violating act if the court finds merit for that.
- b) Should it appear that any one of the companies stated in paragraph (a) of this article did not maintain proper books of account prior to its liquidation, then its manager and auditor shall be deemed guilty of a criminal offense and shall be penalised by imprisonment for a period not less than one month and not more than one year.

Article 315

An auditor who violates the provisions of this law by submitting reports or statements incompatible with the fair position of the company, shall be deemed to have committed a crime, and shall be penalised therefore by imprisonment for a period not less than six months and not more than three years, or by a fine of not less than one thousand Jordanian dinars or by both penalties, and that shall not preclude subjecting him to the penalties provided for under the auditing profession laws in force.

Article 316

Every general partner in a general partnership or in a limited partnership who defaults in executing the amendments made to the company's articles of association, shall be penalised by a fine amounting to one thousand Jordanian dinars per day for each day the default continues to exist after the lapse of one month from the date of occurrence of that change.

Article 317

Any person who commits any violation of any provisions of this law or to any regulation or to any order enacted pursuant thereto, for which no special fine has been assigned, shall be liable to pay a fine not less than one hundred Jordanian dinars and not more than one thousand Jordanian dinars.

Final Provisions

Article 318

- a) All companies registered pursuant to laws which were in force before enacting this law shall be deemed to be existing, and as if registered pursuant to the provisions of this law.
- b) The existing companies shall adjust their positions to render them compatible with the provisions of this law, and they shall make the necessary amendments to their memorandum and articles of association, during a period of six months from the date this law become effective, and without convening their general assemblies to approve these amendments. These amendments should be published in accordance with the procedures provided for in this law.

Article 319

The Council of Ministers may issue such regulations as may be necessary to implement the provisions of this law especially the following :

- a) Determination of the fees to be collected for implementing the provisions of this law.
- b) Organising the forms relating to the memorandum of association and other documents stated in this law.

Article 320

The companies law no. 12 for the year 1964, and the amendments that were introduced thereon are hereby repealed, and the provisions and stipulations of any other legislation which contravene the provisions of this law are also hereby repealed.

Article 321

The Prime Minister and the Ministers are responsible for the implementation of the provision of this law.

20 December, 1988

Al-Hussein Bin Talal

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