

## **Joint Stock Companies**

### a-Incorporation

In accordance with Legislative Decree No. 54 issued on June 16, 1977, it is no longer necessary to obtain a Decree by the Council of Ministers in order to form a joint stock company. Notarization of the company's articles of incorporation by a Notary Public is, however, required. Likewise, all amendments to the articles of incorporation must be notarized as well.

The shareholders of a joint stock company are required to deposit its capital (the minimum is 30,000,000 LL, or US\$20,000) with a local bank, where it will remain blocked until the incorporation is completed.

A minimum of three shareholders is required in order to form a joint stock company. Shareholders are legally liable only up to the value of their shares in the company. Notwithstanding the nationality of its shareholders, a JSC acquires the Lebanese nationality if it is incorporated and duly registered in Lebanon. Article 78 of the Commercial Code provides that a JSC incorporated in Lebanon must have its main office within the Lebanese territory.

The majority of the capital of a JSC can be held by non-Lebanese nationals. However, the majority of the capital of a JSC should be held by Lebanese shareholders if the JSC's activity involves managing a public service, acquisition of real estate, banking, insurance, broadcasting, or commercial representation.

The deposited capital of the JSC will be freed by the bank upon the delivery to the bank of true copies of the above-mentioned documents.

Once the Capital has been fully subscribed to, the founders must convene the first meeting of the shareholders which is referred to as the "Constituent Meeting of the Shareholders".

The required quorum in a Constituent Meeting consists of at least two-thirds of the shares representing the capital stock of the company.

Unless a higher quorum is required by the articles of incorporation, The quorum for the subsequent shareholders meetings is 50 % of the capital stock.

The agenda of the Constituent Meeting shall consist of:

- Examination and approval of the acts performed by the founders for the formation of the company;
- Election of the first directors, if the latter are not appointed in the articles of incorporation;

- Appointment of the company auditors. The civil court shall appoint an additional auditor.
  - Declaration of the final incorporation of the company.
- Resolutions at Constituent Meeting are adopted by a majority of at least two thirds of the shares present or represented.

#### b- Publication

A JSC is considered duly incorporated upon its registration with relevant Register of Commerce. The JSC's Board of Directors must register the following documents with the Register of Commerce:

- 1) The minutes of the First Meeting of the Shareholders together with its attendance sheet,
  - 2) The minutes of the first meeting of the Board Directors,
  - 3) The JSC's articles of incorporation duly legalized by a Notary public.
- The name of the company, followed by the phrase "Societe Anonyme Libanaise" and the amount of its capital must be prominently placed on all printed documents issued by the company.

#### c- Capital

A minimum capital of 30,000,000 LBP (US\$20,000) is required. At least 25% of the capital must be paid up upon incorporation. The balance of the capital can be paid at a date to be specified by the Board of Directors. Capital can consist of cash or in kind contributions.

#### d- Shares

The minimum value of a share is 1,000 LBP (US\$0.667). Profits of the company are distributed among the shareholders in proportion to the number of their respective shares.

#### e- Bonds/Debentures

The Joint Stock Company can issue ordinary bonds and/or convertible bonds, for a same value, and this, once the subscribed capital has been fully paid up. The issuance of convertible bonds into shares – the value of which must not exceed twice the amount of the company capital – must be approved by an extraordinary general meeting of shareholders called especially for the adoption of such resolution.

#### f- Management

The JSC is managed by a Board of Directors that consist of at a minimum of three and a maximum of 12 Directors. The majority should be Lebanese nationals. If the articles of the company did not designate the Board of Directors, one will be elected during the first General Shareholders' Meeting and this for a maximum term of five years.

The Board members are chosen from among the shareholders who hold a minimum number of shares as determined in the articles of incorporation of the JSC. The minimum

number of shares of each Board member become non-negotiable and are deposited with the company's treasury until the end of the term of the Board members.

The Board of Directors must elect one of its members to serve as Chairman. The Chairman cannot be legal entity. The chairman cannot be the director of more than six Lebanese companies and this number is reduced to two if he/she is more than seventy years old.

A Chairman who is a foreign resident must have a work permit and a residence permit.

g- Financial reporting

The JSC must keep all accounting books required by law such as the journal book, the general ledger, a liabilities book, an inventory and balance sheet book, and a salaries and wages register.