THE COMMERCIAL CODE OF IRAN

(MAY 3, 1932)

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(IN FORCE AS OF MAY 3, 1932)

Part One: Merchants and Commercial Transactions

Article 1.

A merchant is a person whose ordinary engagement is commercial transactions.

Article 2.

Commercial transactions are:

1. Purchase or acquisition of any kind of movable property, for the purpose of sale or hire, whether in its original state or not.
2. Transport business of any kind by land, sea or air.
3. Every act of brokerage, commission, agency and of engagement in any kind of establishment for the purpose of carrying on a business, such as facilitating property transactions, engaging employees, procuring and dispatching materials, etc.
4. Establishing and operating any kind of factory, provided it is not for the personal requirements of the owner.
5. Business connected with auctions.
6. Incumbency of public exhibitions.
7. Any kind of banking and exchange business.
8. Exchange transactions, whether between merchants or otherwise.
9. Marine and other insurance business.
10. Ship-building, buying and selling ships, shipping at home or abroad and all transactions appertaining thereto.

Article 3.

The following operations are recognized as commercial in so far as one or both of the contracting parties are merchants:

1. All business transactions between merchants, tradesmen, money-exchangers and banks.
2. All business transactions between a merchant and a non-merchant for his commercial requirements.
3. All business transactions undertaken by the staff, employees or apprentices of merchants on behalf of their employers.
4. All transactions of commercial companies.

Article 4.

Transactions concerning property, other than movable property, are on no account to be classified as commercial transactions.

Article 5.

All transactions by merchants are classified as commercial transactions unless proved otherwise.

Part Two: Commercial Books and Register of Commerce

Chapter One: Commercial Books

Article 6.

Except for small merchants, every merchant is required to keep the following books, or the other books which the Ministry of Justice may prescribe as substitute for the present ones by passing an Administrative Regulation:

1. Journal
2. Ledger
3. Inventory
4. Copy Book.

Article 7.

In the Journal a merchant is required to enter every day his credits, debits, commercial transactions and those concerning commercial bills (such as purchases, sales or endorsements), and, generally all of his commercial transactions of any kind or description whatsoever, as well as disbursements for personal expenses.

Article 8.

In the Ledger a merchant is required to enter, at least once a week, an abstract of all operations extracted from his journal. Different kinds of operations must be classified separately and each class entered on a different page.

Article 9.

The Inventory is a book in which a merchant is required to enter and sign annually by 15th Farvardin (4 April) a complete and detailed statement of all his movable and immovable property, assets and liabilities for the past year.

Article 10.

In the Copy Book a merchant is required to copy in chronological order all letters, telegrams, abstracts of account and invoices sent by him, each under its proper date.

Note: A merchant is also required to file all letters, telegrams, abstracts of account and invoices in accordance with their date of receipt.

Article 11.

The books mentioned in Article 6, with the exception of the copy book must, before anything is entered in them, be signed by a representative of the Registry Office who shall be appointed in accordance with a decree of the Ministry of Justice. The copy book need not be signed, but the pages must be numbered serially. When each book is renewed annually, the provisions of this Article must be observed. The fee for the signature shall be charged at the rate of two rials per each hundred or fraction of hundred pages. Article 135 of the Registration Code will, moreover, be applied.

Article 12.

A book submitted to an official for signature is required to have its pages numbered and perforated. The signing official is required to count the total number of pages, and write on the first and last page of each book the number of pages, the name of the owner of the book and the date of signature. He must also attach a lead seal, which shall be provided by the Ministry of Justice for this purpose, to both ends of the cord. All numbers as well as the date must be written in words.

Article 13.

All transactions and debit and credit entries in the above-cited books must be registered according to date on special pages. Erasing, obliterating, leaving more blank spaces than is usual in book-keeping or

writing in the margin or between the lines is forbidden. A merchant is required to preserve all these books from the end of each year for a period of at least ten years.

Article 14.
The books mentioned in Article 6 and all the other books used by merchants for their commercial transactions will serve as proof between merchants and for commercial acts, if they are kept in accordance with the provisions of this Act. If kept otherwise, they will be evidence against their owner only.

Article 15.
Breach of the provisions of Article 6 and 11 of this Act shall be punished by a fine of rials 200 to 10,000. Such (judgment of) punishment may be handed out directly by a court of justice without the request of a Public Prosecutor. The execution of such judgment shall not prevent further execution of the provisions relating to a bankrupt merchant whose books have not been kept regularly.

Chapter Two: Registers of Commerce

Article 16.
In the districts where the Ministry of Justice shall deem it necessary to establish a Register of Commerce, all merchants, whether Iranian or foreign, with the exception of small tradesmen, will be expected to have, in the time limit prescribed, their names registered in the said register, in default of which they will be fined from rials 200 to 2,000.

Article 17.
The Minister of Justice will fix by a decree the provisions relating to the Register of Commerce, mentioning expressly what must be inscribed therein.

Article 18.
Six months after registration in the Register of Commerce becomes obligatory, every merchant who has to register must clearly mention in his deeds, invoices and publications, printed or written, his registration number. For failure to do so, he will, in addition to the above decreed penalty, be fined from rials 200 to 2,000.

Article 19.
Small tradesmen mentioned in Chapter One to Two will be defined in conformity with the provisions of a decree of the Ministry of Justice.

Part Three: Trading Companies

Chapter One: On Various Kinds of Companies and Rules Concerning Them

Article 20.
There are seven kinds of trading companies:
1. The Joint Stock Company
2. The Limited Liability Company
3. The General Partnership
4. The Limited Partnership
5. The Joint Stock Partnership
6. The Proportional Liability Partnership
7. The Consumers and Producers Cooperatives.

Treatise 1: Joint Stock Company[1]

1. Definition and Formation of Joint Stock Companies

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

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

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

Article 4.
Joint stock companies fall under two distinctive categories. The first category consists of a company whose promoters secure a portion of its share capital by way of transferring shares to the public and such a company is called a public company. The second category consists of a company whose share capital, in its entirety, is secured by its promoters at the time of its formation and such a company is called a private company.
Note: In joint stock companies the phrase "Public Joint Stock Company" or "Private Joint Stock Company" should appear immediately either before or after the name and style of the company as the case may be and, moreover, the said phrase should be indicated in a conspicuous place and in legible printing on all letter-heads, publications and notices of the company.

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

Article 6.
As a pre-requirement for formation of public joint stock companies, the promoters must subscribe at least 20 per cent of the shares of the company and deposit not less than 35% of the amount undertaken by them into an account opened in the name of the company in the process of formation with one of the banks, and submit a declaration together with draft articles of association and a draft prospectus duly signed by all the promoters to the local branches of the said office, and, in places where no branch office of the Registrar of Companies exists, to the local Land and Deeds Registry, against receipt.
Note: In a case where a portion of the consideration given by the promoters is not in specie, then the right of possession together with the relevant title deeds of the property given as consideration must be vested with the same bank with whom the account for cash payments is opened, and the promoters must submit a bank certificate together with the declaration and its attachments to the office of the Registrar of Companies.

[1] Articles 21 through 93 deal with the Joint Stock Company which were repealed by the Legal Bill, comprising 300 Articles and 28 Notes, ratified on Tuesday, 15th March 1969 by the Special Joint Committee of both Houses of Parliament by virtue of the Act Governing Provisional Execution of the Bill Amending Certain Parts of the Commercial Code.

Article 7.

The declaration mentioned in Article 6, ante, must be dated and signed by all the promoters and must specifically include the following information:

(1) Name of the company;
(2) Full identity and domicile of the promoters;
(3) The objectives of the company;
(4) The share capital of the company giving the breakdown of the amount paid in specie and in kind;
(5) The number of registered and bearer and their par value and the preferred shares, if any, indicating the number, particulars and the privileges attached thereto;
(6) The contribution of each of the promoters, and the amount paid in this connection, indicating the number of the account and the name of the bank with which the cash payments are deposited. In the case of contributions in kind, the particulars, specifications and values of such contributions enabling one to get a clear picture of the nature of such contributions;
(7) The principal office of the company;
(8) The duration of the company.

Article 8.

The draft articles of association of the company must be dated and signed by the promoters and include the following information:

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

Article 9.

The prospectus mentioned in Article 6 ante must contain the following information:

(1) The name of the company.
(2) The objectives of the company and the nature of the activities for which the company came into existence.
(3) The address of the principal office of the company and the location of branch office of the company, if there is any intention to establish branch offices.
(4) The duration of the company.
(5) The full identities, domicile and occupations of the promoters and brief descriptions of their background, knowledge and experience in affairs relative to the objectives of the company and similar matters, provided all the promoters or a number of them have some experience or knowledge of such matters.
(6) The share capital of the company, specifying the amount paid in specie and the amount paid in kind separately and the number and types of shares. In the case of capital paid in kind, the quantity, particulars, the quality and value thereof must be stated so as to convey full information in respect of the nature of such contributions.
(7) If the promoters have allotted certain privileges for themselves, the nature and particulars of such privileges should be given in detail.
(8) The portion of the share capital subscribed by the promoters and the amount paid up.
(9) A statement of preliminary expenses incurred by the promoters to establish the company, the cost of feasibility studies and other investigations carried out and a forecast of the costs necessary to complete all preliminary activities.
(10) If the execution of the objectives of the company is legally dependent upon the permission of special authorities, specify the particulars of such permission or the approval in principle of such authorities.
(11) The minimum number of shares which must be subscribed by the applicant and the amount which must be paid in cash at the time of subscription.
(12) Details of the number and particulars of the bank account to which the cash portion of the par value of the shares must be deposited and the period of grace give during which interested persons may apply and pay the cash portions to the bank.
(13) An indication that the declaration of the promoters together with a draft copy of the articles of association have been submitted to the office of the Registrar of Companies and are available for examination by interested persons.
(14) The name of the newspaper in which all subsequent calls and notices of the company will appear solely until such time as the statutory meeting is convened.
(15) The manner of allotment of shares to the applicants.

Article 10.

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

Article 11.

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

Article 12.

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

Article 13.

The application should contain the following information:

(1) The name, objectives, address of the principal office and duration of the company.
(2) The share capital of the company.
(3) The number and date of issue of the prospectus and the name of the authority issuing it.

(4) The number of shares which the applicant intends to subscribe, the par value of such shares and the amount required to be paid in cash at the time when subscription takes place.
(5) The name of the bank and number of the account in which the cash payment required on application must be deposited.
(6) Identity and full address of the applicant.
(7) A statement by the applicant that he undertakes to pay the unpaid balance of the shares in accordance with the terms laid down in the articles of association of the company.

Article 14.

The application for subscription must be made in duplicate, dated and duly signed by the applicant or his legal representative. The original copy will be retained by the bank and the duplicate bearing the seal and signature of the bank and acknowledgment of receipt of the sum paid shall be returned to the applicant.
Note: If the application is signed by a representative, his identity and full address must be indicated and his authority as a representative must be submitted and attached to the records.

Article 15.

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

Article 16.

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

Article 17.

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

Article 18.

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

Article 19.

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

Article 20.

The submission of the declaration, together with the following documents, shall be sufficient for forming a private company:
(1) The articles of association signed by all the shareholders.

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

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

Article 21.

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

Article 22.

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

Article 23.

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

2. Shares

Article 24.

A share is a portion of the capital of a joint stock company which defines the extent of participation, liabilities and entitlement to the profit of its holder in such joint stock company. A share certificate is a negotiable instrument which represents the number of shares which its holder owns in the company.
Note 1: A share may be either a registered or a bearer share.
Note 2: If certain privileges are attached to a portion of the shares of a company in compliance with the provisions of this Act, such shares are called preferred shares.

Article 25.

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

Article 26.

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

Article 27.

When share certificates have not been issued, a company is required to issue provisional certificates to the shareholders indicating the number of shares, type of shares and the amount paid up. Such

certificates are considered to be evidence of the shares held but, in any case, a company is required to issue share certificates within one year from the date the total par value of the shares is paid up and deliver the same to the shareholders and cancel the provisional share certificates.
Article 28.
It is forbidden to issue share certificates as long as the company is not registered; otherwise, the signatories shall be bound to indemnify all losses incurred by a third party.

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

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

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

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

Article 33.
The unpaid balance of each share of a joint stock company must be claimed during the period mentioned in the articles. Otherwise, the board of directors shall be required to call and convene an extraordinary general meeting for the purpose of decreasing the share capital to the extent of the paid up capital of the company. In case of failure to do so, any interested person shall be entitled to apply to the court for the purpose of decreasing the registered capital of the company.
Note: Claims for unpaid capital of the company, wholly or partially, must be addressed to all shareholders and carried out without any discrimination.

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

Article 35.
Whenever a company intends to claim the unpaid balance of shares, wholly or partially, it shall be required to publish a notice in the newspaper with widespread circulation appointed for the publication of the notices of the company and thereby notify the shareholders and allow a reasonable and proportional period of grace for effecting such payment. Interest at the legal rate plus 4 percent per annum shall accrue on the unpaid balance as at the date of expiry of such period of grace. After the lapse of one month from a further notice, if shareholders fail to settle the sum demanded and the interest accruing thereon in full, the company shall proceed to sell such shares through the stock exchange list of negotiable instruments; otherwise, they may be sold by public auction. From the proceeds of such sales, first all expenses of sale shall be deducted and, if the net sale proceeds exceed the principal sum and the interest accruing thereon. The surplus shall be paid to the shareholder.

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

expenses are paid prior to the appointed date for sale, the company shall stop the sale of shares. If the shares are sold, then the name of the former holders shall be deleted from the records of the company. A share certificate or provisional certificate, with the insertion of the word "duplicate", shall be issued in the name of the purchaser and the former share certificates or provisional certificates shall be forfeited. This information shall be published for public information.

Article 37.

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

Article 38.

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

Article 39.

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

Article 40.

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

Article 41.

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

Article 42.

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

3. Conversion of Shares

Article 43.

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

Article 44.

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

Article 45.

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

Article 46.

From the proceeds derived from the sale of shares which are sold in the manner provided for in Article 45, there will be deducted all expenses incurred such as publicity expenses for public auction or brokerage fees for sales on the stock exchange and the balance shall be deposited in an interest bank account. If, within ten years, the original share certificates which have been cancelled are returned to the company then the company will instruct the bank to pay the shareholder the deposited amount together with the interest accruing thereon. After ten years, such funds shall be considered to be property of unknown ownership and will be delivered to the Government Treasury with the information of the Public Prosecutor of the Court of First Instance.

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

Article 47.

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

Article 48.

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

Article 49.

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

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

4. Debentures

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

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

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

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

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

Article 56.
If the issue of debentures was not envisaged in the articles of association of the company an extraordinary general meeting shall be called to approve such issue on the recommendation of the board of directors. The articles of association or a general meeting may authorize the board of directors to issue debentures, once or several times, with an interval not exceeding two years.
Note: On the occasion of the issue of debentures, the debentures and fractions thereof (if the debenture is divisible) must be of the same denomination.

Article 57.
The office of the Registrar of Companies must be notified in writing of the resolution approving the issue and its publication accompanied by the declaration giving the necessary information concerning the issue of debentures. The said office shall register the resolution and publish a summary of the same, together with a declaration, in the Official Gazette.
Note: It is forbidden to publicize the sale of debentures prior to performing the above formalities.

Article 58.
The declaration of the issue of debentures should contain the following information:
(1) The name of the company.
(2) The objectives of the company.
(3) The registration number and date of registration of the company.
(4) The address of the principal office of the company.
(5) The duration of the company.
(6) The share capital of the company; indicating that the capital is fully paid up.
(7) If the company has previously issued debentures, the amount, number and date of such issues(s), the securities which have been assigned against repayment and the amounts already redeemed. If the former debentures were convertible into shares, state the number of such debentures which have not yet been converted.

(8) If the company has guaranteed the debentures of other concerns, the amount, period and conditions concerning such guarantee should be mentioned.
(9) The amount of loan, the period, the nominal value of each debenture, the rate of interest accruing on the debenture, the manner of computation, other rights if any, which might attach to the debenture, the period or periods and the conditions of repayment of the principal sum, etc, if the debenture is redeemable, the conditions of redemption.
(10) The securities, if any, assigned for the debentures.
(11) If a debenture is convertible into shares or stocks of the company, period and the other conditions of such conversion.
(12) A report on the financial position of the company and a summary of the latest balance sheet of the company approved by a general meeting.

Article 59.

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

Article 60.

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

Article 61.

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

Article 62.

The increase mentioned in Article 61 must be underwritten by one or several banks or creditable financial institutions before the issue of the debentures and the contract which is concluded by and between the company and such underwriters dealing with such underwriting, the terms thereof and the responsibilities of such underwriters regarding the delivery of such stocks to the debenture holders, must also be approved by the general meeting mentioned in Article 61, otherwise it shall not be valid.
Note: The Monetary and Credit Council shall specify the qualifications of the banks and financial institutions entitled to underwrite increases of capital of companies.

Article 63.

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

Article 64.

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

Article 65.

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

Article 66.

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

Article 67.

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

Article 68.

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

Article 69.

Debentures may be convertible in to stocks of the company. In this case, the extraordinary general meeting which has approved the issue of debentures shall specify the terms and appoint a sate within which the debenture holders may surrender their debenture certificates to the company for conversion into stocks and shall simultaneously allow the board of directors to increase the share capital of the company.

Article 70.

Pursuant to Article 69, the board of the company, based upon the resolution passed by the general meeting mentioned in the said Article 69 and upon the expiry of the period, shall increase the capital of the company to extent of the unpaid balance of the debentures which are surrendered to the company for conversion, issue new shares after having effected the registration of the increase of capital with the office of the Registrar of Companies, and deliver the same to the debenture holders equivalent to the unpaid balance of the debentures whose certificates are surrendered to the company.

Article 71.
In the case of debentures convertible into stocks the general meeting shall act on the recommendation of the board of directors and a special report of the provisions of Articles 62 and 63 dealing with debentures convertible into stocks.

5. General Meetings

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

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

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

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

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

Article 77.
The report concerning the appraisal of contributions in kind, and the grounds for claiming privileges shall be transacted at the statutory meeting. The contributors in kind and persons claiming privileges shall be deprived of the right to vote when the appraisal of contributions in kind or privileges are put to

a motion and such portion of the share capital contributed in kind which is under discussion shall not be included as part of the share capital required for a quorum.

Article 78.

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

Article 79.

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

Article 80.

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

Article 81.

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

Article 82.

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

Article 83.

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

Article 84.

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

Article 85.

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

Article 86.

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

Article 87.
At an ordinary general meeting, the presence of the holders of more than fifty per centum of the shares entitled to vote is required if, at the first meeting, this quorum was not established then a second meeting will be called. At such a meeting, the presence of any number or shareholders entitled to vote shall constitute a quorum permitting the passing of valid resolutions, provided that the action taken at the first meeting is stated in the notice calling the second meeting.

Article 88.
At a general meeting, all resolutions will be passed by the affirmative vote of fifty per centum plus on vote of those present at the meeting, except for the election of directors and inspectors for which a plurality shall be sufficient. In the case of election of the directors the number of votes of each voter shall be multiplied by the number of directors intended to be elected and the voting rights of each voter shall be the result gained from such multiplication. The voter may assign all his votes to one person or segregate that same between a number of persons. The articles of association may not include provisions contradictory to the above arrangement.

Article 89.
An ordinary general meeting must convene once a year at the time specified in the articles of association for reviewing the balance sheet and profit and loss account of the previous year, inventories, claims and debts of the company, a statement of the annual operation of the company, the report of the directors, the report of the inspector or inspectors and other matters related tot the accounts of the fiscal year.
Note: Decisions taken about the balance-sheet and profit and loss account will not be valid unless the report(s) of the inspector(s) is read out at the general meeting before such decisions are made.

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

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

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

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

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

Article 95.
Shareholders who hold at least one- fifth of the shares of a company are entitled to request the board of directors to call a general meeting. The board of directors shall be bound to call a general meeting within twenty days at the latest with due observance of the formalities. If this is not done, the said applicants

may ask the inspector or inspectors of the company to make such a call. The inspector or inspectors must call a meeting within ten days otherwise such shareholders shall be allowed to call general meeting directly, provided that they have performed all the formalities pertaining to the call. The notice of call should include a statement to the effect that their request was not met by the board of directors and inspectors.

Article 96.

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

Article 97.

In all cases, a call of shareholders to convene a general meeting shall take place by publication of a notice in the newspaper in which the notices of the company appear. At each annual meeting, a newspaper with a widespread circulation should be specified for publication of subsequent items of information and notices which may be given to the shareholders until the convening of the next annual meeting. Such resolution should appear in the newspaper specified for publication of the notice of the company prior to the passage of such resolution.
Note: When all shareholders are present at a meeting, it is not obligatory to carry out the proceedings concerning the call and publication of the notice for call.

Article 98.

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

Article 99.

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

Article 100.

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

Article 101.

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

Article 102.

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

Article 103.

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

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

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

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

6. Board of Directors

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

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

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

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

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

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

Article 112.

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

Article 113.

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

Article 114.

The directors should possess the number of shares set forth in the articles and such shares shall not be less than the number of shares required for voting at general meetings. Such shares are placed as security against losses which may be inflicted on the company as a result of violations by the directors, whether individually or collectively. Such shares must be registered shares and non-negotiable and, as long as a director has not received discharge from the company for the period of his term of office, the said shares shall remain in the custody of the company.

Article 115.

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

Article 116.

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

Article 117.

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

Article 118.

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

Article 119.

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

Note 1: For the purposes of this article, natural persons who have been introduced as directors in their capacity as representatives of legal entities shall be considered as board members.
Note 2: If the chairman is unable temporarily to perform his functions, the vice-chairman shall perform these functions.

Article 120.

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

Article 121.

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

Article 122.

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

Article 123.

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

Article 124.

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

Article 125.

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

Article 126.

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

Article 127.

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

Article 128.

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

Article 129.

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

Article 130.

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

Article 131.

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

Article 132.

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

Article 133.

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

Article 134.

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

Article 135.

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

Article 136.

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

Article 137.

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

Article 138.

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

Article 139.

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

Article 140.

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

Article 141.

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

Article 142.

The directors and the managing director of a company are responsible either individually or jointly, as the case may be, vis-a-vis the company and third parties in respect of any infringement of legal

regulations or the provisions stipulated in the articles of association or the minutes of general meetings. The court shall determine the scope of responsibility of each individual for indemnity purposes.

Article 143.

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

7. Inspectors

Article 144.

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

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

Article 145.

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

Article 146.

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

Article 147.

The following persons cannot be appointed as the inspector of a joint stock company:

(1) The individuals mentioned in Article 111 of this Act.
(2) The directors and the managing director of the company.
(3) The relations of affinity and blood of the directors and managing director of the company up to third degree of first and second class.
(4) Any person who either himself or his/her spouse is the salaried employees of the persons mentioned in paragraph (2) above.

Article 148.

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

Article 149.

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

Article 150.

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

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

Article 151.

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

Article 152.

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

Article 153.

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

Article 154.

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

Article 155.

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

Article 156.

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

8. Alternation of Capital

Article 157.

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

Article 158.

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

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

Article 159.

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

Article 160.

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

Article 161.

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

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

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

Article 162.

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

Article 163.

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

Article l64.

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

Article 165.

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

Article 166.

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

Article 167.

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

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

Article 168.

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

Article 169.

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

Article 170.

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

Article 171.

The subscription certificate mentioned in the foregoing article shall contain the following information:

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

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

Article 172.

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

Article 173.

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

Article 174.

The prospectus must be signed by the officers who are authorized to sing for the company and contain the following information:

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

Article 175.

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

Article 176.

The office of the Registrar of Companies, after having received and approved the prospectus and considered the same to be in compliance the law will authorize its publication.

Article 177.

The prospectus for the new shares must be published in at least two newspapers with a widespread circulation other than the newspaper designated for publishing the notices of the company and must also be displayed in a prominent place on the premises where the subscription of shares takes place for

the observance of interested parties. It must be stated in the prospectus that the latest balance sheet and profit and loss account of the company approved in general meeting have been filed with the office of the Registrar of Companies and are available at the principal office of the company.

Article 178.

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

Article 179.

Subscription of new shares in accordance with the subscription form must contain the following information:

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

Article 180.

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

Article 181.

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

Article 182.

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

Article 183.

To effect the registration of the increase of capital in private companies, it will be sufficient for all purposes to submit the declaration together with the following documents:

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

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

Article 184.

The monies which will be deposited for the increase of capital shall be kept in a special account. The said funds shall not be subject to any attachment or seizure and shall not be transferable to other accounts of the company unless the increase of capital has been duly registered.

Article 185.

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

Article 186.

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

Article 187.

Pursuant to Article 185, after having performed the subscription proceedings, the following documents must be submitted to the office of the Registrar of Companies for effecting registration:

(1) A complete statement of the matured cash liabilities, converted into shares of the company, together with the supporting documents indicating that such accounts were settled, duly verified by the inspectors of the company.

(2) The minute of the extraordinary general meeting, together with the declaration of the board of directors of the company to the effect that the shares, in their entirety, were subscribed and the value thereof was received.

Article 188.

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

Article 189.

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

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

Article 190.

The recommendations of the board of directors concerning a decrease of capital must be submitted at least forty- five days before the convening of the general meeting to the inspectors of the company. The above recommendations should contain the reasons and grounds for decreasing the capital of the company and the date of affairs of the company during the current year. If the company has not yet approved the accounts of the preceding year, then the state of affairs of the preceding year of the company must be reflected.

Article 191.

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

Article 192.
The board of directors shall, before taking any measures to effect the voluntary decrease of the capital, publish the resolution of the board of directors for a maximum period of one month in the Official Gazette and the newspaper in which the notices of the company are published.

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

Article 194.
If, in the opinion of the court, an objection against the decrease of capital is justified and the company refrains from giving adequate security as determined in the court, then the debts of the company shall fall due and payable and the court shall issue the verdict for payment.

Article 195.
A company shall not be allowed to decrease its capital before the expiry of the two months' period of grace mentioned in Article 193 and, similarly, if any objection is raised, unless the final verdict of the court is issued and executed.

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

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

Article 198.
A company is forbidden to redeem its own shares.

9. Winding-up and Liquidation

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

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

Article 201.
In the following cases, any interested person may apply to the court for the winding- up of a company:

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

Article 202.

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

Article 203.

The liquidation of the affairs of a company will take place in accordance with the provisions of this Act with the exception of bankruptcy which will be subject to bankruptcy proceedings.

Article 204.

The liquidation of the affairs of a company is vested in the directors of that company unless otherwise provide for in the articles of association or if an extraordinary general meeting of the company adopts a different arrangement.

Article 205.

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

Article 206.

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

Article 207.

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

Article 208.

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

Article 209.

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

designated by the last general meeting of the company held before the dissolution of the company, shall be used.

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

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

Article 212.
The liquidators are considered to be representatives of the company and they shall possess all necessary powers to facilitate the liquidation of the company, including instituting lawsuits and referring cases to arbitration and compromise. They are further authorized to hire barristers to institute lawsuits and defence proceedings. Restrictions or limitations imposed on the authority of the liquidators shall be considered to be null and void.

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

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

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

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

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

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

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

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

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

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

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

Article 224.
After completion of the liquidation proceedings, fulfilment of all obligations and payments of debts, the assets of the company shall be first applied against the repayment of the par value of shares to shareholders and the balance shall be disposed of in the manner provided for in the article of association and, if the articles of association do not contain any provision in this respect, then such balance shall be distributed to shareholder of the company proportionately to their holdings.

Article 225.
No distribution of the assets, whether during the liquidation proceedings or thereafter, shall take place unless the notice stating the commencement of liquidation and the call for creditors have been published three times, with an interval of one month between each call, both in the Official Gazette and in the newspaper which publishes the notices and statements of the company and at least six months have elapsed from the publication of the first notice.

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

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

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

ownership and be handed over to the General Treasury with the information of the Public Prosecutor of the Court of First Instance.

Article 229.

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

Article 230.

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

Article 231.

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

10.Accounts

Article 232.

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

Article 233.

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

Article 234.

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

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

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

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

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

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

Article 240.
A general meeting, after having approved the accounts of the fiscal year and having satisfied itself that there exists distributable profit, shall determine the proportion thereof which should be distributed. Moreover, the general meeting may decide to distribute a portion of the reserves at its disposal among the shareholders. In this case, the funds which will be deducted and distributed must be expressly mentioned in the resolution. Any profit which is distributed in contradiction of the regulations of this Act is considered to be a fictitious profit. The general meeting shall determine the manner of payment of distributable profit and, if no determination is made in this respect, then the board of directors shall determine the manner of payment. Under any circumstances the profit must be distributed among the shareholders not later than eight months after a resolution is passed in this respect by the general meeting.

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

Article 242.
In public companies, the board of directors shall be bound to attach the report of the official accountants to the profit and loss account and the balance sheet of the company. The official accountants, in addition to expressing their opinion on the accounts of the company, must certify that all books, documents, invoices and necessary items of information were made available to them and that the profit and loss account and balance sheet prepared by the board of directors reflect the financial position of the company in a correct and clear manner.
Note: By the term "official accountants" used in this article, it is meant the official accountants who are the subject matter of Chapter 7 of the Direct Taxation Act approved in Esfand 1345. If the manner of

appointment of the official accountants is changed or if they are called by another name or title by a new enactment, such variations shall be applicable to the accountants mentioned in this article.

11. Penal Provisions

Article 243.

The following persons shall be condemned to simple imprisonment ranging form three months to two years or to a cash penalty ranging from twenty thousand Rials to two hundred thousand Rials or to both penalties:

(1) Any person who intentionally and falsely certifies the subscription of shares or issues a false prospectus or submits false document to the office of the Registrar of Companies purporting to be the establishment of a company or appraises contributions in kind in a fraudulent manner.
(2) Any person who indicates in a share certificate or provisional certificate that the paid-up capital is higher than the amount that has actually been paid.
(3) Any person who refrains from announcing all the facts and items of information required by this Act, wholly or partly, to the office of the Registrar of Companies or makes a false statement.
(4) Any person who issues shares or bonds before a company is registered or, if the company is registered, in a fraudulent manner.
(5) Any person who issues shares of bonds without the subscription of the share capital in its entirety or without payment in cash of thirty- five per centum of the share capital or without having delivered contributions in kind.
(6) Any person who, before payment of the total nominal value of a share, issues a bearer or a provisional share.

Article 244.

The following persons shall be condemned to simple imprisonment for a period ranging from three months up to one year or to a cash penalty ranging from fifty thousand Rials or to both penalties:

(1) Any person who intentionally issues or sells or offers for sale share certificates or provisional certificates without indicating the nominal value thereof.
(2) Any person who issues or sells or offers for sale bearer shares before has been paid in cash.
(3) Any person who issues or sells or offers for sale registered shares before the payment of the minimum sum of thirty five per centum of the total par value thereof.

Article 245.

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

Article 246.

The chairman and the members or the board of directors of any joint stock company, in the case of committing any of the following offences, shall be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from thirty thousand Rials up to three hundred thousand Rials or to both penalties.

(1) If they do not call the unpaid balance of the company or do not call an extraordinary general meeting of the company for the purpose of decreasing the share capital of the company by the extent of the unpaid capital.
(2) If, before payment of the total share capital, they issue or allow the issue of debentures.

Article 247.

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

such a warning be legal notification will be sufficient for relieving a board member from penal responsibility.

Article 248.

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

Article 249.

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

Article 250.

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

Article 251.

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

Article 252.

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

Article 253.

The following persons shall be condemned to simple imprisonment for a period ranging from three months up to one year or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials or to both penalties:

(1) Any person who intentionally prevents shareholders from attending an ordinary general meeting of shareholders.

(2) Any person who maliciously and fraudulently misrepresents himself to be the holder of shares or bonds of a company and thereby attends a general meeting of a company, whether he acts in person or through a third party.

Article 254.

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

Article 255.

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

Article 256.

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

Article 257.

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

Article 258.

The following persons shall be condemned to simple imprisonment for a period ranging from one year to three years:

(1) The chairman, the directors and the managing director, who in the absence of an inventory and balance sheet or based on a false inventory and balance sheet, distribute fictitious profits among the shareholders.
(2) The chairman, the directors and the managing director who submit or issue a false balance sheet with a view to concealing the true position of the company from the shareholders.
(3) The chairman, the directors and the managing director who use the property or credits of the company against the interests of the company to their own advantage or the advantage of another company or concern in which they are either directly or indirectly interested.
(4) The chairman, the directors and the managing director of a company who maliciously misuse the powers vested in them against the interests of the company to their advantage or to the advantage of another company or concern in which they are either directly or indirectly interested.

Article 259.

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

Article 260.

The chairman, the directors and the managing director, who intentionally hinder or create obstacles for the inspectors in discharging their functions or do not put at the disposal of the inspectors the documents and records which are required for discharging their functions, will be condemned to simple imprisonment for a period ranging from three months to two years or to a cash penalty ranging from twenty thousand Rials so two hundred thousand Rials.

Article 261.

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

Article 262.

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

stocks, or before the exchange or conversion of debentures into stocks or redemption thereof the company amortized the share capital or otherwise diminished the same by way of redemption of shares or distributed the reserves or otherwise altered the manner of distribution of profit.

Article 263.

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

Article 264.

The chairman and the directors of a joint stock company who do not observe the following rules in diminishing the share capital of the company shall be liable to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials:

(1) Nonobservance of the quality of the rights of the shareholders.
(2) If a recommendation for a decrease of the capital is not conveyed to the inspectors at least forty-five days before the convention of the extraordinary general meeting.
(3) If a resolution of a general meeting with respect to the decrease of capital and the period of grace and the terms and conditions thereof are not published in the Official Gazette and the newspaper in which the notices of the company are published and announced.

Article 265.

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

Article 266.

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

Article 267.

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

Article 268.

Liquidators of a joint stock company who intentionally commit the offences mentioned below shall be condemned to simple imprisonment for a period ranging from two months up to six months or to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials or to both penalties:

(1) If they fail, within one month after being appointed, to notify the office of the Registrar of Companies of the resolution regarding the winding- up of the company and of their own addresses.
(2) If, for up to six months after the commencement of liquidation proceedings, they do not call an ordinary general meeting of the company and do not report to the shareholders the position of the assets, the amounts due to the company, the debts of the company, the manner of liquidation and the period required for completing the liquidation proceedings.
(3) If, before the completion of liquidation proceedings, they fail to call every year a general meeting of the company in compliance with the conditions and formalities stipulated in this Act and the articles of association of the company and do not submit an inventory of the movable and

immovable property of the company, a balance sheet and a profit and loss account of their operations together with a report reflecting the activities carried out up to such time.

(4) If they carry out their functions upon the expiry of their term of office without demanding an extension.

(5) If, within one month after the completion of liquidation proceedings, the office of the Registrar of Companies is not notified of such state of affairs.

(6) If, after the completion of liquidation proceedings, the proceeds left with them are not deposited in a bank in Iran and if they fail to furnish the bank with the list of the creditors and the shareholders who have not received the amounts to which they are entitled and do not notify interested persons by a notice published in the press indicating the completion of liquidation proceedings.

Article 269.

The liquidator or the directors of a company who commit any of the offences mentioned below shall be condemned to simple imprisonment for a period ranging from one to three years.

(1) When the property or credits of the company in liquidation are used against the interests of the company for their private purposes or for the purposes of another company or concern in which they are directly or indirectly interested.

(2) When they transfer the assets of the company in contradiction with the provisions of Article 213 or distribute the assets among the shareholders without having observed the rights of creditors and having subtracted therefrom debts which had not matured at such time.

12. Miscellaneous Provisions Governing Joint Stock Companies

Article 270.

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

Article 271.

If, before the issue of a judgement of nullity, the grounds which give rise to such claim are removed in the preliminary legal stages, the court will repudiate the claim and dispose of the case. If the chairman or any of the directors or the managing director are held responsible by the court, they will be bound to indemnify the company and pay the relevant legal expenses to the company. The charges borne by the claimant shall be refunded out of the amounts adjudged in favour of the company. If the claimants lose their case, then they shall be held responsible for the payment of the relevant legal expenses.

Article 272.

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

Article 273.

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

Article 274.

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

Article 275.

In all cases where the court appoints the liquidator of the company either as a result of winding- up or nullity of the company and the liquidator or liquidators so appointed refuse to accept such position, the court will refer the liquidation of the company to the Bankruptcy Administration.
Note: The fee of the liquidator of liquidators appointed by the court will be determined by the court.

Article 276.

An individual or individuals who hold at least one- fifth of the total shares of the company may sue the chairman, directors or the managing director of the company at their own expense and demand indemnity for the losses which have incurred on the grounds of infringement or fault on the part of the said chairman, directors or managing director. If the chairman or any of the directors or the managing director are held responsible by the court, they will be bound to indemnify the company and pay the legal expenses to the company. The charges borne by the claimant shall be refunded out of the amounts adjudged in favour of the company. If the claimants lose their case, then they shall be held responsible for the payment of legal expenses.

Article 277.

The provisions of the articles of association and the resolution of general meetings shall not impose restrictions on the shareholders in bringing legal proceedings against the directors.

Article 278.

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

Article 279.

A private joint stock company should, within one month from the date an extraordinary meeting has approved such transformation, submit the minute of the extraordinary general meeting together with the following documents:

(1) The articles of association prepared for the public joint stock company approved by an extraordinary general meeting.
(2) Two balance sheets together with profit and loss accounts men
(3) An inventory of the assets of the company (submitted to the office of the Registrar of Companies) covering the value of all items of movable and immovable property of the company, duly confirmed by an expert of the Ministry of Justice.
(4) A declaration of the transformation of the company, containing the following information, bearing the authorized signatures of company:
    (a) The name and registration number of the company.
    (b) The objectives of the company and the type of activities pursued by the company.
    (c) The address of the principal office of the company and the addresses of its branch offices, if any.
    (d) The date of expiry of the duration of the company if the company has been formed for a limited period of time. (e) The authorized and paid-up capital.
    (e) If preferred shares have been issued, an indication of the number of such shares and the privileges attached thereto.
    (f) The full identity of the chairman, directors and the director of the company.
    (g) The requirements for attendance and the voting powers of the shareholders at general meetings of the company.

(h) The provisions stipulated in the articles of association for distribution of profit and the accumulation for the reserve fund.
(i) The debts of the company and the debts of third parties guaranteed by the company.
(j) The name of a newspaper with a widespread circulation in which all the notices and statements of the company will be published.

Article 280.

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

Article 281.

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

Article 282.

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

Article 283.

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

Article 284.

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

Article 285.

As an exceptional rule, the alteration of the articles of association of joint stock companies existing on the ratification date of this Act may, for the purpose of adapting themselves with the requirements of this Act, be effected by a resolution passed in this connection by the ordinary general meeting of the company, except in the case of capital which requires the approval of an extraordinary general meeting of the company. The manner of call, convening, quorum and the required majority for passing

resolutions at the ordinary and extraordinary general meetings, for the purpose of adapting joint stock companies to the rules of this Act, shall be subject to the provisions laid down in the Commercial Code in the year 1311 governing joint stock companies and the provisions stipulated in the articles of Act, provided that they are valid standing at such date.

Article 286.

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

Article 287.

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

Article 288.

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

Article 289.

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

Article 290.

If joint stock companies existing on the ratification date of this Act intend to be transformed into public joint stock companies and if an increase in share capital is necessary for the achievement of such purpose, they shall be required to submit the following documents to the office of the Registrar of Companies:

(1) The articles of association which have been approved either by an ordinary or extraordinary general meeting of the company.
(2) The minute of the extraordinary meeting which approved the increase in capital.
(3) An inventory of the assets of the company existing of submission of the office of the Registrar of Companies. Such inventory should contain the value of all moveable and immovable assets of the company, confirmed by an expert of the Ministry of Justice.
(4) The prospectus for the new shares drafted in conformity with the provisions of Article 174 of this ACT.
(5) The latest balance sheet and profit and loss account of the company approved by a general meeting and certified by the official accountant.

Article 291.

The office of the Registrar of Companies, after having received the documents mentioned in the foregoing Article and having compared the same with the provisions of this Act, will issue permission for the issue of the prospectus for new shares.

Article 292.

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

Article 293.

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

Article 294.

If joint stock companies existing on the ratification date of this Act, whose share capital amounts to the minimum extent mentioned in this Act, intend to be transformed into public joint stock companies, they are required to submit the following documents to the office of the Registrar of Companies:

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

Article 295.

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

Article 296.

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

Article 297.

On occasions when it is required to call either an ordinary or extraordinary general meeting of the company or to submit certain documents or records to the office of the Registrar of Companies for the purpose of the adapting joint stock company to the requirements of this Act or, alternatively, to transform the same to one of the types of companies mentioned in the Commercial Code in the month of Ordibehesht 1311 and the chairman or the directors of the said company fail to call an ordinary or extraordinary general meeting or to submit the documents to the office of the Registrar of Companies, as the case may be, they shall be liable to a cash penalty ranging from twenty thousand Rials up to two hundred thousand Rials and, moreover, they shall be held jointly responsible to indemnify all losses incurred by the shareholders and third parties as a result of the dissolution of the company.

Article 298.

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

Article 299.

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

Article 300.

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

Treatise 2: Limited Liability Companies

Article 94.

A Limited Liability Company is a company formed between two or more persons for the purpose of trading while the company's capital is not represented by shares or bonds and each partner is responsible for the responsibilities and obligations of the company merely to the extent of its contribution.

Article 95.

In the company's title the phrase "limited liability" must appear, otherwise the company will, so far as third parties are concerned, be considered as a general partnership and come under the regulations governing the same. The name of the company must not include the name of any partner, otherwise the partner whose name appears will, by third parties be looked upon as a member of a general partnership.

Article 96.

A limited liability company is only definitely formed when the capital in cash has been fully paid up and when the non-cash contributions have been valued and delivered.

Article 97.
In the company's Articles-of-Memorandum, mention must expressly be made of the value of any non-cash contributions.

Article 98.
The partners are jointly and severally responsible towards third parties for the valuation placed on non-cash contributions when the company is formed.

Article 99.
The statute of limitation for actions resulting from the above provisions is ten years from the date of the formation of the company.

Article 100.
Any limited liability company formed contrary to Articles 96 and 97 is null and void. The partners cannot, however, so far as third parties are concerned, avail themselves of this nullity.

Article 101.
If the court declares the company to be invalid, in conformity with the preceding Articles, the partners responsible for the nullity, as well as the board of directors and the manager who were in charge and neglected their duty at the time of the nullity or immediately afterwards, are jointly and severally responsible towards the other partners and third parties for damages resulting from the invalidation. The right to prosecute is barred after ten years from the date when the cause of nullity arose.

Article 102.
A partner's contributions cannot be represented by transferable commercial instruments whether bearer or registered. The partners' contributions in the company cannot be transferred to third parties without the consent of a majority of partners, representing at least three quarters of the company's capital.

Article 103.
The partners' contributions will not be transferred unless a notarial deed is drawn up in this connection.

Article 104.
A limited liability company is managed by one or more directors, salaried or not, chosen from among the partners or outside, for a limited or unlimited period.

Article 105.
Unless the Articles-of-Association provide otherwise, the directors of the company will have all the necessary powers to represent and manage the company. Any arrangement limiting the powers of directors which is not expressly mentioned in the Articles of-Association is null and void so far as third parties are concerned.

Article 106.
Resolutions concerning the company must be passed by a majority representing at least half the company's capital. If at a first meeting the majority has not been obtained, all partners must be called to a new meeting. in this case, resolutions will be passed by a numerical majority, even if this majority does not represent one half of the company's capital. The Articles-of-Association of the company may contain regulations other than those above mentioned.

Article 107.
Unless the Articles-of-Association provide otherwise, each partner shall have a number of votes in proportion to the amount of his contribution to the capital.

Article 108.
Relations of partners between themselves are governed by the Articles-of Association. Unless a special provision has been made in the Articles- of- Association, profits and losses will be divided in proportion to the contributions of the partners to the capital.

Article 109.
Any limited liability company with more than twelve partners must have a board of directors who will call a general meeting of partners at least once yearly. As soon as the board of directors is appointed, it must ascertain whether the provisions of Articles 96 and 97 have been complied with. The board may summon the members to an extraordinary general meeting. The provisions of Articles 165, 167, 168 and 170 also apply to a limited liability company.

Article 110.
Partners cannot alter the company's nationality except by unanimous consent.

Article 111.
Any other modification in the Articles-of-Association must be effected by a numerical majority, representing at the same time at least three quarters of the company's capital, unless the Articles-of-Association have fixed some other majority.

Article 112.
In no case can a majority of partners compel a partner to increase his contributions.

Article 113.
The provisions of Article 57 relating to the formation of a reserve fund are equally applicable to a limited liability company.

Article 114.
The limited liability company shall be dissolved:
a) In cases provided for in Clauses (i), (ii) and (iii) of Article 93.
b) By decision of a number of partners representing more than half the company's capital.
c) When, owing to losses, more than half the company's capital has disappeared and one of the partners having asked for the dissolution of the company, the court finds his reasons adequate, but the other members fail to agree to pay him the share which would be paid to him in the event of dissolution.
d) In the case of the death of one of the partners, if such is provided for by the Articles-of-Association.

Article 115.
The following persons are considered as swindlers: a) Promoters and directors who, contrary to the truth, have stated in deeds and documents submitted for registration of the company that the entire cash and non-cash contributions have been paid in. b) Persons who fraudulently have placed a value on the non-cash contributions in excess of their real value. c) Directors who, without a statement of assets or on the basis of a fraudulent statement of assets, distribute fictitious dividends among partners.

Treatise 3: General Partnership

Article 116.
A General Partnership is one formed between two or more persons with joint and several liabilities under a common name for the purposes of trade. When the partnership's assets are not sufficient to meet its debts, each partner is liable for the payment of all the debts of the firm. Any stipulation among partners to the contrary is null and void so far as third parties are concerned.

Article 117.
In the firm's name the term "general partnership" must appear, as well as the name of at least one of the partners. If the firm's name does not include the names of all partners, the names of the partner or partners mentioned must be followed by "and Company", "and brothers", or a similar expression.

Article 118.
A general partnership is formed when all the capital in cash has been paid up, and when contributions other than in cash have been valued and delivered.

Article 119.
Unless provided otherwise in the Articles of Partnership, profits will be shared between partners in proportion to their contributions.

Article 120.
In a general partnership the partners must appoint at least one person as director, who may be chosen from among the partners or outside the partnership.

Article 121.
The limits of the responsibility of the director or directors of the general partnership are those fixed by Article 51.

Article 122.
If in a general partnership one or more partners make a contribution not in cash, the valuation of such a contribution must be made before hand and with the consent of all the partners.

Article 123.
In a general partnership none of the partners may transfer his contributions to other persons without the consent of the other partners.

Article 124.
As long as the general partnership is in existence, the firm's liabilities must be claimed from the firm itself. After the dissolution the firm's creditors may, in order to recover their claim, sue all the partners jointly or severally. In any case, none of the partners can, by reason of the fact that the amount of the firm's liabilities is higher than the amount of his own contribution, refuse to meet the said liabilities. Only between the partners themselves, and if the Articles of Partnership so provide, will each partner be held liable to meet the firm's liabilities, in proportion to the contributions he has made.

Article 125.
Whoever enters as a general partner in an existing firm of this type is liable with the other partners for debts contracted by the firm before he joined it, whether or not the name of the firm has been changed. Any agreement between the partners which is contrary to the above-mentioned provisions is null and void so far as third parties are concerned.

Article 126.
In the event of dissolution of a general partnership, until the firm's liabilities have been paid out of the firm's assets, the personal creditors of the partners have no claim on the said assets. If the firm's assets are not sufficient to meet its liabilities, the creditors have the right to claim from all partners jointly or severally the balance of their debt In this case they will have no priority over the personal creditors of the partners.

Article 127.
A general partnership may be declared bankrupt, even after dissolution, provided that the firm's assets have not been distributed.

Article 128.
The firm's bankruptcy does not necessarily involve the bankruptcy of the partners. Similarly, the bankruptcy of one of the partners does not necessarily involve the bankruptcy of the firm.

Article 129.

A partner's personal creditors have no right to secure or obtain payment of their claims from the assets of the firm. Nevertheless, they can, so far as the profits to which their debtor is entitled, or to that payment which would be made to him in the event of dissolution, take such legal action as they deem appropriate. When a partner's personal creditors are unable to obtain payment from his separate estate, and when their creditor's share in the firm's profits is not sufficient to meet the debts he owes to them, they may demand the dissolution of the firm (whether the latter is formed for a limited or unlimited period) subject to the condition, however, that they have by means of a legal notification issued at least six months in advance, notified the firm of their intention. In such cases, as long as the final decree of dissolution has not been passed, the firm or some of the partners may avoid dissolution by paying the said creditors what is owed them, to the extent of the debtor's share in the firm, or by securing their consent by any other means.

Article 130.

Neither the company's debtor can claim the benefit of any set-off against a debt that may be due to him by one of the partners, nor can the partner himself exercise the right of set-off against the debt due by his creditor to the firm. Nevertheless, whosoever is at the same time a creditor of the firm and a debtor to one of the partners, and whose claim remains unsatisfied after dissolution of the firm, can exercise his right of set-off against the partner in question.

Article 131.

If a partner is declared bankrupt, or if one of the personal creditors of a partner demands the dissolution of the firm by virtue of Article 129, the other partners may expel this partner by paying him in cash his share of the assets.

Article 132.

If, in consequence of losses, the share-capital of the partners is reduced, the payment of any interest or profits to partners is forbidden until the reduction in capital has been adjusted.

Article 133.

Except in the case provided for above, the firm cannot compel any of the partners to make good his capital reduced by losses; neither can it compel him to subscribe capital in excess of that which is fixed by the Articles of Partnership.

Article 134.

No partner may, without the consent of the other partners, for his own account or for the account of a third party, carry on a business similar to that of the firm, or enter, as general partner or limited partner, another firm engaged in a similar business.

Article 135.

Any general partnership may, by unanimous consent of the partners, be turned into a joint stock company. In such case all the provisions relating to joint stock companies must be observed.

Article 136.

A general partnership must be dissolved:

a) In cases provided for in clause (i), (ii) and (iii) of Article 93.
b) By unanimous consent of the partners.
c) When for certain reas6ns one of the partners asks the court for the dissolution of the firm, and the court judging the reasons adequate decrees the dissolution.
d) In case one of the partners terminates the partnership arrangement in accordance with Article 137.
e) In case of bankruptcy of one of the partners in conformity with Article 138.
f) In case of death or incapacitation of one of the partners, in conformity with Articles 139 and 140.

Note: If in the case provided for in Clause (c) the reasons for dissolution concern exclusively one or more partners, the court may, at the request of the other partners, decree the expulsion of the said partner or partners, instead of the dissolution of the firm.

Article 137.
The dissolution of the firm may take place when the Articles of Partnership do not deprive the partners of the right to do so and when the termination is not prompted by a desire to cause damage. The request for dissolution must be notified to the partners in writing six months in advance. If, in conformity with the Articles of Partnership, the firm's accounts must be closed yearly, the termination will take effect at the closing of the yearly accounts.

Article 138.
In case of bankruptcy of one of the partners, the firm will be dissolved if the Liquidator demands in writing, and if six months have not elapsed from the date of such a request and the firm has been unable to dissuade the Liquidator from applying for dissolution.

Article 139.
In case of death of one of the partners, the continuance of the firm is dependent on the sanction of the remaining partners and the successors of the de ceased partner. If the remaining partners decide to continue the firm, the successor of the deceased partner must, within a month from the date of decease, state in writing whether or not he agrees to the firm's being continued. When the successor of the deceased partner notifies his agreement, he shares in the profits and losses incurred during the said interval. Otherwise, he will share the profits earned during the period but will not be liable for any losses. Silence up to the end of one month is considered as consent.

Article 140.
In case of incapacity of one of the partners, the procedure laid down in the foregoing Article will be followed.

Treatise 4: Limited Partnership

Article 141.
A Limited Partnership is one formed for trading (under a special name and style without any issue of shares) between one or more general partners and one or more partners with limited liability. The general partners are liable for all the debts and obligations of the firm that may be incurred in excess of the assets of the firm, whereas the limited partners are only liable up to the extent of the capital they have contributed or may contribute to the partnership. The term "limited partnership" and the name of at least one of the general partners must appear in the name of the firm.

Article 142.
The relations of partners between themselves will be governed by the Articles-of-Association, subject to the following provisions.

Article 143.
A limited partner whose name appears in the name of the firm is, so far as the creditors of the firm are concerned, considered to be a partner with unlimited liability. Any agreement to the contrary between partners is null and void so far as third parties are concerned.

Article 144.
The management of a limited partnership is entrusted to the partner or partners with unlimited liability. The scope of their powers is the same as that defined in the case of partners in a general partnership.

Article 145.
A limited partner, as such, has neither the right as a partner, nor is he under obligation, to manage the firm.

Article 146.
If a limited partner transacts any business for the firm, he will, in relation to third parties, and so far as liability for such business is concerned, be considered as a general partner, unless he declares expressly that he acted as an agent of the firm.

Article 147.
Every limited partner has a right to supervise the firm's business; he may examine the books and documents of the firm and prepare, for his own in formation, a statement of its position. Any agreement between partners contrary to this provision is null and void.

Article 148.
No limited partner may, by the transfer of the whole or part of his capital, introduce a third party into the firm without the consent of the other partners.

Article 149.
When one or more limited partners have, without the consent of the other partners, transferred to a third party the whole or part of their share in the firm, the said third party has no right to interfere or supervise in the firm's business.

Article 150.
A limited partner is liable towards third parties in the same way as a general partner, as regards liabilities that the firm has undertaken prior to registration, unless he can establish that the third parties were aware that he was only a limited partner.

Article 151.
An unlimited partner can only be sued personally for the firm's liabilities, when the firm has been dissolved.

Article 152.
If the firm is dissolved otherwise than in bankruptcy, and if/the limited partner has not paid the whole or part of his capital, or has withdrawn it after payment, the firm's creditors can sue the limited partner directly, and claim the amount of his capital which was not paid or was withdrawn. In case of bankruptcy of the firm this right devolves upon the Liquidator.

Article 153.
If, by agreement with the unlimited partners, or by previous withdrawal from the partnership capital, a limited partner has reduced the registered amount of the capital contributed by him, so long as the reduction has not been registered and made public in conformity with the provisions relating to the publication of alteration in a partnership, it is not binding on the firms creditors. These creditors may, so far as obligations contracted by the firm prior to the registration and publication of the reduction in the firm's capital, insist on the said capital being restored to its original figure.

Article 154.
Interest may only be paid to a limited partner so long as this payment does not involve a decrease in his share of the capital. If in consequence of losses, a limited partner's capital has been reduced, the payment to him of any interest or profits is prohibited until the reduced capital has been restored. If payments have been made, contrary to the above-mentioned clauses, a limited partner is responsible for the company's liabilities up to the amount of the sum withdrawn by him, unless the payments have been made to him in good faith and on the basis of a proper balance sheet.

Article 155.
Whoever joins an already formed limited partnership as limited partner is responsible, up to the amount of his capital for all liabilities previously contracted by the firm, whether the firm's name has been changed or not. Any provision contrary to this regulation is null and void so far as third parties are concerned.

Article 156.
In the event of bankruptcy, the firm's assets are distributed among its creditors and the personal creditors of the partners have no claim on them. For this purpose the capital subscribed by the limited partners forms part of the firm's assets.

Article 157.
When a firm's assets are insufficient to meet its liabilities, the creditors have the right to claim payment of any balance due to them from the personal property of all the unlimited partners, jointly or severally. In such cases there will be no difference between the creditors of the firm and the personal creditors of the general partners.

Article 158.
In case of bankruptcy of a limited partner, the firm or its creditors shall rank equal with the personal creditors of the said partner.

Article 159.
The provisions of Article 129 and 130 shall apply equally in the case of a limited partnership.

Article 160.
When there are several unlimited partners, their responsibility towards creditors, as well as between themselves, shall be governed by the provisions concerning general partnerships.

Article 161.
Provisions of Articles 136, 137, 138, 139 and 140 are equally applicable to limited partnerships.

Treatise 5: Joint Stock Partnership

Article 162.
The Joint Stock Partnership is formed under a special name and style, between a number of shareholding partners and one or several partners with unlimited liability. The shareholding partners are partners whose capital is represented by shares or bonds of equal nominal value, and their responsibility is limited to the ex tent of the amount of capital each has contributed to the partnership. A general partner is a partner whose capital is not represented by shares and who is liable for all debts the firm may have incurred beyond its capital. If there are several general partners, their responsibility to creditors as well as their relationship with each other shall be governed by the provisions concerning general partnerships.

Article 163.
In the name of the firm "joint stock partnership" must appear, as well as the name of at least one of the general partners.

Article 164.
The management of a joint stock partnership is exclusively in the hands of the partner or partners with unlimited liability.

Article 165.
Every joint stock partnership is subject to the control of a board of supervisors composed of at least three partners. This board is elected by the general meeting of partners immediately after the firm has been definitely formed and before any business is undertaken by the firm. The board of supervisors is eligible for re-election in accordance with the provisions of the Articles-of-Association. In any case the first board is elected for one year only.

Article 166.
The first board must, as soon as it is appointed, satisfy itself that all the provisions of Articles 28, 29, 38, 39, 41 and 50 of the present Act have been adhered to.

Article 167.
Members of the board of supervisors incur no responsibility for management and the results thereof but each member is responsible for personal acts and errors in the performance of his duty, in conformity with the rules of current laws.

Article 168.
Members of the board of supervisors must audit the books, check the cash and verify the securities of the firm, and submit a report each year to the general meeting in which they must state any irregularities or discrepancies they may have found in the inventories. They must also state therein any reasons they may have for opposing any distribution of dividends proposed by the managing director.

Article 169.
The board of supervisors may summon partners to a general meeting, and if a resolution to that effect is passed by the said meeting, dissolve the firm in conformity with Clause (b) of Article 181.

Article 170.
Up to fifteen days before the general meeting, every shareholder may person ally (or by proxy) examine, at the head office, the balance sheet, inventories and the report of the board of supervisors.

Article 171.
The bankruptcy of a general partner does not result in the bankruptcy of the firm, except as provided by Article 138.

Article 172.
The provisions of Articles 124 and 134 are equally applicable to the joint stock partnerships and to the general partners therein.

Article 173.
When a joint stock partnership is declared bankrupt, and when the limited partners have not paid the value of their shares in full, the Liquidator will recover any amount owed by them.

Article 174.
In case of dissolution of the firm (otherwise than by bankruptcy) each of the creditors of the firm may have recourse to any shareholding partners who has failed to pay his debt to the firm in respect of the value of the shares held by him, and demand his claim to the extent of the partner's liability. Until dissolution, creditors have no right of recourse against share-holding partners for such debts.

Article 175.
When a joint stock partnership is declared bankrupt, the personal creditors of general partners have no claim on the firm's assets until the firm's liabilities have been paid from the said assets.

Article 176.
The provisions of Articles 28, 29; 38, 39, 41 and 50 are equally applicable to the joint stock partnerships.

Article 177.
Any joint stock partnership formed contrary to the provisions of Articles 28, 29, 39 and 50 is void. However, partners cannot avail themselves of this nullity so far as third parties are concerned.

Article 178.
When a firm has been declared invalid in accordance with the foregoing Article, the procedure laid down in Article 101 will be followed.

Article 179.
Provisions of Articles 84, 85, 86 and 87 of the present Act are equally applicable to joint stock partnerships.

Article 180.
Provisions of Articles 89, 90, 91 and 92 of the present Act are equally applicable to the joint stock partnerships.

Article 181.
A joint stock partnership must, in the following cases, be dissolved:
a) In cases provided for in Clauses (i), (ii) and (iii) of Article 93.
b) By decision of a general meeting if in the Articles-of-Association, this right is conferred on such a meeting.
c) By decision of a general meeting and with the consent of the general partners.
d) In case of death or incapacitation of one of the general partners, provided that the dissolution of the firm in such cases is expressly sanctioned by the Articles- of-Association. The provisions of Article 72 apply to the cases provided for by Clauses (b) and (c) above.

Article 182.
When the right of a general meeting to dissolve the firm has not been provided for by the Articles-of-Association and when an agreement cannot be reached between the said general meeting and the general partners as regards dissolution, if the court regards the application to dissolve the firm as reasonable, it shall decree dissolution. These provisions will apply equally when one of the general partners brings an action for dissolution on grounds which the court considers reasonable.

Treatise 6: Proportional Liability Partnership

Article 183.
A Proportional Liability Partnership is one formed for trading purposes, under a special name and style, by two or more individuals, the liability of each partner being in proportion to the amount of capital subscribed by him.

Article 184.
In the name of such firms the phrase "Proportional Liability Partnership" and the name of at least one of the partners must appear.

Article 185.
The provisions of Articles 118, 119, 120, 121, 122 and 123 must also be observed by proportional liability partnerships.

Article 186.
If the assets of a proportional liability partnership are not sufficient to meet its liabilities, each of the partners is responsible for the firm's liabilities, in proportion to the capital he has subscribed.

Article 187.
Until a proportional liability partnership is dissolved, liabilities must be claimed from the firm itself; after the dissolution, creditors may, in accordance with the preceding Article, sue such partner individually.

Article 188.
Whoever enters as a general partner in a proportional liability partnership already in existence becomes responsible, in proportion to the capital he subscribes, for the debts contracted by the firm previous to his joining it, whether the firm's name has been changed or not. Any agreement between the partners contrary to this is null and void so far as third parties are concerned.

Article 189.
The provisions of Article 126 (except for the liabilities of the partners, which are in proportion to the capital they have subscribed) as well as those of Article 127 to 136, are equally applicable to proportional liability partnerships.

Treatise 7: Producers and Consumers Cooperative Companies

Article 190.
A Producers Cooperative Company is one formed between artisans for the production and sale of goods which they produce in common.

Article 191.
If in a producers cooperative company there are members who are not in the permanent service of the company, or not engaged in trade connected with the company's operation, at least two-thirds of the members of the administrative board must be chosen from among members engaged in trade connected with the company's operations.

Article 192.
A Consumers Cooperative Company is one formed for the following purposes: a) Sale of articles necessary to life, either produced by the members or purchased by them; b) Distribution of profits and josses between members in proportion to the purchases made by each of them.

Article 193.
Cooperative companies for producers or consumers may be formed in accordance with the general principles governing joint stock companies, or in conformity with special regulations drawn up with the consent of the members. Provisions of Article 32, and 34, however, must in any case be complied with.

Article 194.
If cooperative company, whether for producers consumers, is formed in conformity with the general rules governing joint stock companies, the minimum value of shares or bonds will be 10 rials, and no member will be entitled to more than one vote at the general meeting.

Chapter Two: On Provisions Concerning Registration of Companies and Publication of Articles-of-Association and Articles-of-Memorandum

Article 195.
Registration of all companies and / or partnerships mentioned in the present Act is compulsory, in accordance with the law of company registration.

Article 196.
Statements and documents required for the registration of companies will be determined by the by-laws issued by the Ministry of Justice.

Article 197.
In the first month of formation of every company or partnership an abstract of its memorandum and supplements will be published in conformity with a by-law of the Ministry of Justice.

Article 198.
If, for non-observance of the provisions of the two preceding Articles, a company is declared invalid, none of the shareholders can take advantage of this invalidity so far as third parties, with whom they were dealing, are concerned.

Article 199.
If a company has branches in several places, the provisions of Articles 195 and 197 must, in conformity with the by-laws of the Ministry of Justice, be carried out separately in each of the places.

Article 200.
Whenever resolutions are passed altering the Articles-of-Association, extending the life of the company, dissolving the company (even where this dissolution takes place by reason of the expiration of the term

of the company), ascertaining the manner in which the accounts must be settled, change of partners and the change of the firm's name, the provisions of Articles 195 and 197 must be complied with.

Article 201.

In all deeds, invoices, announcements, publications and other documents (printed or written) issued by the companies mentioned in the present Act, with the exception of cooperative companies, the amount of the company's capital must be expressly stated. Where the company's capital is not fully paid, the amount paid must be expressly stated. Any company violating this provision will be fined from rials 200 to 3,000.

Note: Foreign companies trading in Iran through a branch or by means of a representative will also be, so far as their deeds, invoices, announcements and publications in Iran are concerned, bound by the provisions of the present Article.

Chapter Three: On Liquidation of Companies (Partnerships)

Article 202.

Except in bankruptcy, which is subject to the provisions relating thereto, the liquidation of companies, after their dissolution, will take place in conformity with the following Articles.

Article 203.

In case of general partnerships, proportional liability partnerships, simple partnerships and joint stock companies, the director or directors shall carry out the liquidation proceedings, unless the general partners appoint other persons for this purpose chosen either from among themselves or outside the company or partnership.

Article 204.

When one or more general partners ask for the appointment of special persons to carry out the liquidation proceedings, and when the other general partners do not agree to this request, the Court of First Instance will appoint the liquidators.

Article 205.

Whenever persons other than directors of a company are appointed to carry out the liquidation proceedings, their names must be registered at the Registration Office and published.

Article 206.

In limited partnerships or joint stock partnerships, limited partners have a right to appoint one or two persons to supervise the liquidation proceedings.

Article 207.

The Liquidator's function is to wind up the affairs of the company, to discharge its obligations, to collect its debts and to distribute the assets in the manner provided for by Articles 208, 209, 210, 211 and 212.

Article 208.

If, in order to fulfil existing obligations, it is necessary to undertake fresh business, the Liquidator will be empowered to do so.

Article 209.

Liquidators have the right to bring or defend actions in the company's name, either in person or by attorney.

Article 210.

Except when arbitration is compulsory by law, liquidators have only the right to compromise and to appoint arbitrators, if the responsible partners authorize them to do so.

Article 211.
Any of the company's assets not required for the liquidation will be temporarily divided between the partners (shareholders), but the liquidators must deduct therefrom liabilities not yet due, or amounts in dispute between the partners.

Article 212.
The liquidators shall settle the accounts between the partners and divide the profits and losses. In case of dispute as to distribution, the Court of First Instance will decide.

Article 213.
In joint stock companies, limited liability companies and cooperative companies, the responsibility for liquidation is borne by the directors, unless the Articles-of-Association have provided otherwise, or unless a majority at the general meeting decides to the contrary.

Article 214.
In joint stock companies, limited liability companies and cooperative companies, the rights and duties of liquidators are determined by Article 207, but with this difference that (except in case of compulsory arbitration) liquidators have the right to compromise and to appoint arbitrators only when the Articles-of-Association or the general meeting have conferred that right upon them.

Article 215.
In companies referred to in the preceding Article, the distribution of the company's assets between the partners (shareholders) can only be made either during liquidation proceedings or after, when three announcements to that effect have previously been published in the Official Gazette and in another paper, and when one year has elapsed since the publication of the first announcement in the Official Gazette.

Article 216.
For breach of the provisions of the foregoing Article, the liquidators will be liable for any losses suffered by the creditors who have not been paid.

Article 217.
The books of every dissolved company will be kept for ten years dating from the completion of the liquidation, in a place specified by the Registrar of Companies.

Article 218.
Every company is free to fix by its Articles-of-Association other means of liquidation; these means, however, must not in any case, be contrary to the provisions of Articles 207, 208, 209, 210, 215, 216 and 217 or the last part of Article 211.

Chapter Four: Miscellaneous Provisions

Article 219.
In cases where the partners or their heirs are legally responsible to third parties, the right of the latter to bring an action against the former, arising out of the transactions of the partnership, is barred after the expiry of five years. The period of limitation starts running from the date when dissolution of the company or withdrawal of a partner or his removal from the company has been registered with the Registry Office and published in the Official Gazette. In case the demand is due after registration and publication, statute of limitation starts running from the date when the creditor becomes entitled to make such demand.
Note: Any claim which by its nature is liable to a shorter period of limitation or, according to the present Act, a longer period of limitation has been prescribed therefor, shall not be subject to the provisions of this Article.

Article 220.

Every present or future Iranian company or partnership engaged in commercial transactions which does not bring itself in to line with one of the companies or partnerships mentioned in the present Act, and does not comply with the provisions relating to such company, will be recognized as a general partnership and be subjected to the provisions relating thereto. Every Iranian company mentioned in the present Act, and every foreign company bound to register by the Registration of Companies Act ratified in Khordad 1310, must, in all its deeds, invoices, announcements and publications, printed or written in Iran, state the number under which it has been registered in Iran. Otherwise, it will be liable to a fine from rials 200 to 2,000. This fine is in addition to the penalty provided for nonregistration by the Registration of Companies Act.

Article 221.

If a company has issued debentures or bonds which, in accordance with its Articles-of-Association or by resolution of a general meeting, must be redeemed by casting lot, and if the dividends or interests due thereon have been paid before the debentures or bonds have been redeemed, the company cannot, when the value is redeemed, withdraw the dividends or interests already paid.

Article 222.

Every trading company may provide in its Articles-of-Association that the original capital may be increased by further subscriptions or contributions from the original partners (shareholders), or by the admission of new partners (shareholders), or decreased by return of capital. The Articles-of-Association will state expressly the minimum below which the capital can not be decreased. This minimum must not be fixed at below one tenth of the original capital of the company.

Part Four: Bill of Exchange, Promissory Note and Cheque

Chapter One: Bill of Exchange

Treatise 1: Form of Bill of Exchange

Article 223.

Besides bearing the signature or seal of the drawer, a Bill of Exchange must contain:

1. The words "bill of exchange".
2. The date when drawn (day, month and year).
3. The name of the drawee.
4. The amount in full.
5. The date of payment (due date).
6. The place where payment is to be made, whether it is the domicile of the drawee or other place.
7. The name of the person to whom, or to whose order the bill of exchange is to be paid.
8. An indication whether it is the first, second, third, etc., of exchange.

Article 224.

A bill of exchange can be drawn to the order of a third party, or to the order of the drawer himself.

Article 225.

The date on which a bill of exchange is issued as well as the amount should be written in words. If the amount is written more than once in words and there is a difference, then the smaller amount will be the amount of the bill. If the amount is written in words and in figures and there is a difference, then the amount written in words is the amount of the bill.

Article 226.
In cases where a bill of exchange does not conform to the essential conditions prescribed in Clauses (ii), (iii), (iv), (v), (vi), (vii) and (viii) of Article 223, it will not be subject to the provisions relating to bills of exchange.

Article 227.
A bill of exchange can be drawn "by order" or for the account of a third party.

Treatise 2: Acceptance and Refusal of Acceptance

Article 228.
The acceptance of a bill of exchange will be affected by writing on the bill of exchange itself; the acceptance must be dated and signed or sealed. If the bill of exchange is payable at sight, the date of acceptance must be written in words. If the acceptance is not dated, the date of the bill will be that of the sighting.

Article 229.
Everything which the drawee writes on the bill of exchange and signs or seals has the value of acceptance, unless he has specially indicated a refusal of acceptance. If the acceptance indicates a refusal of part of the amount of the bill of ex change, the balance is accepted. When the drawee signs or seals the bill of exchange without writing anything else, the bill is considered: to be accepted.

Article 230.
The person accepting the bill of exchange is bound to pay the amount on due date.

Article 231.
The acceptor has no right to refuse payment.

Article 232.
The acceptance of a bill of exchange can be limited to part only of the amount. In that case the holder must protest the bill for the balance.

Article 233.
When acceptance is conditional, the bill of exchange is considered "nonaccepted"; notwithstanding, the acceptor is liable to pay the bill according to the tenor of his acceptance.

Article 234.
In the acceptance of a bill of exchange payable elsewhere than at the domicile of the acceptor, the place where payment is to be made must be specified clearly.

Article 235.
The bill of exchange is to be accepted or refused on presentation, or at the latest, within 24 hours of presentation.

Article 236.
Refusal to accept must be evidenced by a certificate in legal form. This certificate is called the protest for non-acceptance.

Article 237.
After the protest for non-acceptance, the endorsers and the drawer must, on demand of the holder, give a guarantee for the payment of the bill of exchange on due date, or make immediate payment together with the costs of the protest and re-exchange (if any).

Article 238.
When a person accepts a bill of exchange, but has allowed it to be protested for non-payment, the holders of another bill accepted by the same person, but not yet due, can demand of the acceptor a guarantee or other form of security for the payment of his bill.

Treatise 3: On Third Party Acceptance

Article 239.
If a bill of exchange has been dishonored by non-acceptance, and if it has been protested, a third party can accept the bill supra protest for the honor of the drawer or one of the endorsers. The third party's acceptance must be signed by him and mentioned in the note of protest.

Article 240.
After the third party's acceptance, all the rights acquired by the holder against the drawer and the endorsers, by reason of non-acceptance, will be maintained as long as the bill of exchange has not been paid.

Treatise 4: On Due Date

Article 241.
A bill of exchange can be drawn at sight, or at one or several days, or one or several months after sight, or at one or several days, or one or several months from date. Payment can be fixed for a certain day.

Article 242.
If a bill of exchange, payable at sight, is accepted, it must be paid immediately.

Article 243.
The due date of a bill of exchange at one or more days or one or more months after sight, is fixed by the date of acceptance or by that of the protest for non-acceptance.

Article 244.
If a bill of exchange falls due on a holiday, it shall be paid on the first working day following.
Note: This rule will be observed for all commercial documents.

Treatise 5: Endorsements

Article 245.
Transfer of a bill of exchange is effected by endorsement.

Article 246.
The endorsement must be signed by the endorser. The date of endorsement and the name of the person to whom the bill is transferred may be mentioned in the endorsement.

Article 247.
The endorsement presumes transfer, unless the endorser specifies that the endorsee is acting as his agent for collection. In the latter case the bill will not be transferred, but the holder will have the right to collect the amount, to protest it if necessary, and to take legal action for recovery unless otherwise expressly stated on the bill itself.

Article 248.
If the endorser antedates the endorsement, he will be considered guilty of fraud.

Treatise 6: Liability

Article 249.
The drawer, acceptor and the endorsers of a bill of exchange are jointly and severally responsible to the holder. The latter may, in case of protest for non payment, take action against drawer, acceptor or endorsers, whomsoever he chooses severally or against all of them jointly. The same right exists for each of the endorsers with regard to the drawer and prior endorsers. The filing of a suit against one or more parties who are liable for payment does not involve loss of recourse against the others. The plaintiff is not obliged to follow the chronological order of the endorsements. Whoever has given security for the drawee, drawer or endorser is only jointly and severally responsible with that party for whom he stands surety.

Article 250.
All persons liable for the payment of a bill can make payment dependent upon the delivery of the bill, protest note and the account of interest and other legal charges which ought to be paid by him.

Article 251.
In case of bankruptcy of more than one person liable on a bill, the holder thereof can rank as creditor in the bankruptcy's estates for the recovery of the whole of his claim. The Liquidator of one estate who pays such a holder a dividend has no recourse against the liquidators of the other estates, unless the total dividend paid to the holder of the bill out of all the estates exceeds the amount thereof. In that case the surplus amount will, following the chronological order of the liabilities, devolve upon the bankrupt's having right of recourse against the others.
Note: The provisions stipulated in this Article will be enforced in all cases where several persons, being jointly and severally responsible for the payment of a debt, are declared bankrupt.

Treatise 7: On Payment

Article 252.
A bill of exchange must be paid in the currency specified therein.

Article 253.
If the holder of a bill has paid the drawer or whoever has transferred the bill to him, currency other than that stated in the bill, and if the bill should be protested for nonpayment, the said holder may claim from the drawer or whoever transferred the bill to him, payment either in the currency which he himself paid or in the currency specified in the bill. However, he cannot claim from other responsible parties the amount of the bill in the currency other than that specified in the bill.

Article 254.
A usance bill must be paid on due date.

Article 255.
The date of sighting in bills payable after sight and the date of drawing in those which are payable after date is excluded when calculating the due date.

Article 256.
Whoever pays a bill of exchange before due date remains liable to the persons who have a right to the amount of the bill.

Article 257.
If the holder of the bill gives an extension of time to the acceptor, he looses his right of recourse against those preceding endorsers and the drawer who have not consented to this extension.

Article 258.
Whoever pays a bill on due date is presumed validly discharged, unless the amount of the bill has been legally attached with him.

Article 259.
Payment of bill of exchange can be made on a 2nd, 3rd, 4th, etc., of exchange, on condition that this 2nd, 3rd, 4th, etc., of exchange bears a statement that this payment makes void payment of the others.

Article 260.
Whoever pays a bill of exchange on a copy which is not accepted is responsible for the amount to a third party who holds the accepted copy.

Article 261.
In case of loss of a bill of exchange not yet accepted, payment can he demanded on a 2nd, 3rd, 4th, etc, of exchange.

Article 262.
If the lost copy is one which has been accepted, payment cannot be claimed on the other copies except by order of the court and production of a surety.

Article 263.
If the holder of a lost bill, whether accepted or not, cannot produce a 2nd, 3rd, 4th, etc., of exchange, he can obtain payment by order of the court, pro vided that he establishes that he is the lawful holder of the bill, and that he produces a surety.

Article 264.
In case of refusal to pay in spite of the demand formulated in Articles 261, 262 and 263, the owner of the lost bill may preserve all his rights by an act of protest.

Article 265.
The act of protest mentioned in the foregoing Article must be made within 24 hours from the due date of the bill, and must be served on the drawer and the endorsers, in the manner and the time prescribed by the present Act for the notification of protest.

Article 266.
The owner of a lost bill must, in order to obtain a second copy, apply to the previous endorser for a second of exchange. The said endorser shall authorize and direct the owner of the bill to the endorser immediately preceding him, and so on from one endorser to another, until the drawer is reached. The expenses of these proceedings shall be paid by the owner of the lost bill. The endorser who refuses to give such authority is responsible for the payment of the lost bill, and the costs incurred by the owner of the lost bill.

Article 267.
If the guarantor of a lost bill has not limited the duration of his guarantee, the time limit will be three years, and if no claim has been lawfully made in the said three years, no further claim can be made against him in court.

Article 268.
In case of part payment of a bill the liability of the drawer and endorsers will be decreased proportionately, and the holder can protest for the outstanding amount only.

Article 269.
The courts cannot, without the consent of the owner, extend the time of payment of a bill of exchange.

Treatise 8: Payment of a Bill of Exchange by a Third Party

Article 270.
Any third party can pay for the drawer or for one of the endorsers a bill of exchange which has been protested. The fact of such intervention and the payment must be stated in the act of protest itself or at the foot thereof.

Article 271.
The third party who pays the amount of the bill by way of intervention is subrogated to the holder in his rights and liabilities.

Article 272.
If the third party pays the amount of the bill for the account of the drawer, all the endorsers are freed, and if payment is made by an endorser all sub sequent endorsers are freed.

Article 273.
If two persons intervene simultaneously for the payment of a bill, but not for the same party, the payment of the one who liberates the greater number of other parties liable on the bill will be accepted. If, after protest, the drawee himself tenders payment he will be preferred to any third party intervening.

Treatise 9: Rights and Duties of the Holder of a Bill of Exchange

Article 274.
With regard to bills of exchange payable in Iran, sight or otherwise, whether drawn in Iran or abroad, the holder must demand acceptance or payment within one year from date, otherwise he shall lose his right of recourse against the endorsers as well as the drawer who provided for the bill.

Article 275.
If in a bill of exchange, whether drawn in Iran or abroad, a longer or shorter time for presentation for acceptance is stipulated, the holder must demand acceptance within the said time, otherwise he shall lose his right of recourse against the endorsers and against the drawer who provided for the bill.

Article 276.
If an endorser of a bill has fixed a time for presentation, the holder thereof must demand acceptance within the said time, otherwise he will be unable to take advantage of the regulations relative to bills of exchange as far as the said endorser is concerned.

Article 277.
If the holder of a bill, sight or otherwise, drawn in Iran and payable abroad, does not demand payment or acceptance within time limit prescribed by the above Article, he will forfeit his right in conformity with the provisions of the said Articles.

Article 278.
The aforesaid Articles do not preclude other stipulations being made between the holder, the drawer and the endorsers.

Article 279.
The holder of a bill of exchange must demand payment on due date.

Article 280.
Non-payment must be proved within ten days of due date by an act which is called protest for non-payment.

Article 281.
If the tenth day is a general holiday, then the protest must be made on the following day.

Article 282.
The holder of a bill of exchange is not absolved from protest for non-payment, by the death of the drawee, neither by his bankruptcy, nor by protest for non-acceptance.

Article 283.
In case of bankruptcy of the acceptor before due date, the holder retains the right to protest.

Article 284.
The holder of a bill of exchange protested for non-payment must, within ten days from the date of protest notify, by a legal notification or by registered letter with receipt attached, the fact of non-payment to the person who transferred the bill to him.

Article 285.
Each endorser must also, within ten days of the date of receiving the abovementioned notice, in his turn notify the preceding endorser.

Article 286.
If the holder of a bill payable in Iran and protested for non-payment, desires to benefit by Article 249, he must file a suit within three month of the date of protest.
Note: In case where the domicile of the defendant is situated elsewhere than at the place where the bill of exchange is payable, the time limit will be extended by one day for each six farsakhs.[2]

Article 287.
So far as bills of exchange payable abroad are concerned proceedings against the drawer and endorsers, resident in Iran, must be lodged within six months from the date of protest.

Article 288.
Each endorser who wishes to benefit by the right given him under Article 249, must exercise recourse within the time prescribed by Articles 286 and 287. In his case, the period commences from the day following issue of a summon in a court of justice. If the endorser pays without an action having been taken against him, the time will count from the day following that on which payment was made.

Article 289.
On the expiry of the time limits prescribed in the following Articles, recourse of the holder against the endorsers, as well as that of an endorser against a prior endorser, will no longer be valid.

Article 290.
On the expiry of the above-mentioned periods, the recourse of the holder and endorsers of a bill against the drawer himself will no longer exist, provided the drawer can establish that he has paid the amount thereof on due date to the drawee. In this case, the holder will be able to exercise recourse against the drawee only.

Article 291.
If on the expiry of the time prescribed for protest, for the notification of the act of protest, or for the filing of a suit, the drawer or one of the endorsers recovers by account or otherwise the funds which he has entrusted to the drawee for payment of the bill of exchange, the holder, contrary to the provisions of the two preceding Articles, has the right to sue whoever has received the funds.

Article 292.
After the filing of a suit, the court is required to order immediately, on the application of the holder of a bill reprotested for non-payment, attachment of the defendant's property equal to the value of the bill.

[2] Six farsakhs make 36 kilometers.

Treatise 10: On Protests

Article 293.

Protest must be made:

1. Where acceptance is refused.
2. Where the drawee himself neither accepts nor refuses.
3. Where payment is refused.

1. The protest is drafted in original and on the order of the Court of First Instance is served by a bailiff on the domiciles of the following persons:

1. The drawee.
2. Those indicated in the bill for payment in case of need.
3. The third party who has accepted the bill. If in the district where the protest is made, there is no Court of First Instance, its duties will be performed by a justice of the peace, and in his absence by the Registrar of Companies, and failing him, the Governor.

Article 294.

The form of protest must contain:

1. A complete copy of the bill of exchange with all entries, such as acceptance, endorsements, etc.
2. The order for payment of the amount of the bill. The bailiff must acknowledge and sign at the foot of the form of protest, the presence or absence of the payer, his reasons for refusing payment or acceptance, and the cause of his inability or refusal, to sign.

Article 295.

No act on the part of the holder of the bill can take place of the protest, except in cases detailed in Articles 261, 262 and 263, relative to the loss of the bill.

Article 296.

The bailiff must deliver an exact copy of the form of protest to the domicile of the persons mentioned in Article 293.

Article 297.

The office of the court, or office of the authority acting in its place, must enter in a special register from day to day in chronological and numerical order, the contents of any protests made. The pages of the register must be numbered and signed by the chief of the court or his deputy. When the domicile of the drawer of the bill of exchange or the first endorser is indicated on the bill, the office of the court must inform them by registered letter of the reasons for refusal to pay.

Treatise 11: Re-Draft

Article 298.

A re-draft is one drawn after protest, on the drawer or on one of the endorsers, by the holder of the original bill in order to reimburse himself for the payment of the bill, with costs of the protest and any difference in exchange.

Article 299.

When the re-draft is drawn on the original drawer, the difference of rate of exchange between the place where the original bill was payable and that of the place where it was drawn will be charged to the original drawer. Should the return bill be drawn on an endorser thereof, the latter will bear the difference between the rate of exchange of the place where the bill was negotiated and that of the place where the bill was drawn.

Article 300.

To the return bill will be attached a statement called "Returned Account." This statement includes:

1. The name of the person on whom the return bill is drawn.

2. The original amount of the bill protested.
3. The cost of protest, and other ordinary costs, such as bank commission, brokerage, stamps and postal fees, etc.
4. The amount of any difference in rate as mentioned in Article 299.

Article 301.

The statement of account in the previous Article must be certified by two merchants.

Article 302.

Where the return bill is drawn on one of the endorsers, it must be accompanied, in addition to the documents laid down by Article 300 and 301, by a certificate which gives the difference in the rate of exchange between the place where the bill is payable and that of the place where it is drawn.

Article 303.

There cannot be more than one statement of return account for each bill. If the return bill is made on one of the endorsers the return account is paid by endorser to endorser respectively and finally paid by the drawer. Full costs cannot be cumulative. Each of the endorsers as well as the original drawer will be liable for one payment only.

Article 304.

Damages for the delay in payment of the amount of the original bill protest ed for non-payment will be calculated from the date of protest, and that of costs of protest and the return bill count only from the date of filing a suit.

Treatise 12: Foreign Laws

Article 305.

Essential conditions of bills of exchange drawn outside Iran are determined by the laws of the country in which the bills are drawn. Similarly, liabilities for bills (resulting from endorsement, from guarantee, from acceptance, etc.) which are drawn abroad, are subject to the laws of the country where they have been issued. If, however, the essential conditions of a bill of exchange conform to Iranian law, or if the liabilities are valid according to the said law, persons who in Iran have undertaken subsequent liabilities cannot plead that the liabilities and engagement undertaken by prior parties are irregular according to foreign law.

Article 306.

The protest and other measures taken abroad to exercise and protect the rights attached to a bill of exchange are subject to the laws of the country where the proceedings are taken.

Chapter Two: On Promissory Notes

Article 307.

A promissory note is a document by which the maker promises to pay, on demand or at a fixed date, a sum to the holder, or a particular person or to the order of such a person.

Article 308.

Besides the signature or seal of the signatory, the promissory note must be dated and contain the following:

1. The sum to be paid written in words.
2. Name of beneficiary.
3. Date of payment.

Article 309.

All the provisions concerning bills of exchange (contained in Treatise IV to the end of Chapter One of this Part) are equally applicable to promissory notes.

Chapter Three: Cheques

Article 310.
A cheque is a written document by which the drawer effects the withdrawal of his funds, or transfers to a third party, the whole or part of the funds which he has with the drawee.

Article 311.
A cheque must bear the place and date of issue it must be signed by the drawer. It can only be drawn at sight.

Article 312.
A cheque may be made, drawn payable to bearer, or to a particular person or to order. It can be transferred by endorsement in blank.

Article 313.
A cheque must be paid on presentation.

Article 314.
The issue of a cheque, even when drawn from one place on another, does not constitute a commercial transaction. However, the provisions of the present Act in the matters of bills of exchange, and relative to the responsibility of drawers and endorsers, of protest, enforcement of a guarantee, and of loss, are equally applicable to cheques.

Article 315.
If a cheque is payable in the place where it is drawn, the bearer must claim payment within fifteen days of the date of issue. If a cheque is drawn from one place on another in Iran, payment must be claimed within 45 days of the date of issue. If the holder of a cheque does not demand payment in the time mentioned in the present Article he loses recourse against the fault of the drawee, and where the amount of a cheque through the fault of the drawee is not forthcoming in circumstances for which the drawee is responsible, the holder will have no legal claim against the drawer.

Article 316.
The persons receiving payment of a cheque must sign or seal on the back of the cheque even if the cheque is a bearer one.

Article 317.
All the provisions concerning cheques issued in Iran are equally applicable to cheques issued abroad and payable in Iran. However, the period within which the holder of such a cheque can claim payment is four months from the date of issue.

Chapter Four: On Statute of Limitation

Article 318.
Lawsuits concerning bills of exchange, promissory notes and cheques issued by merchants for commercial purposes will not be accepted by the courts after the expiry of five years from the date of the act of protest or the last legal action, unless there has been legal recognition of the debt, in which case period of limitation will run from the date of such acknowledgement. If there has been no protest, the period of limitation will commence to run from the date of expiry of the time for protest.
Note: The dispositions of the present Article are not applicable to bills of exchange, promissory notes and. cheques issued before the date of enforcement of the Commercial Code approved on the 25th Dalve 1303 (1924), the 12th Farvardin and 12th Khordad, 1304 (1925). These bills are, so far as the Statute of Limitation is concerned, subject to the provisions concerning the Statute of Limitation in the matters of movable property.

Article 319.
If, as a result of completion of the five-year period of limitation, the holder of a bill of exchange or a promissory note or a cheque can no longer demand the amount, he can, as long as the period of limitation applicable to movable property has not expired, recover the amount from the person who has benefited himself at his expense.
Note: The above-mentioned provisions are equally applicable to bills of exchange, promissory notes or cheques which do not fulfil one of the essential conditions prescribed by the present Act.

Part Five: Bearer Bonds

Article 320.
The holder of any bearer bond is deemed to be its owner and has the right to demand payment of it, unless the contrary is established. Nevertheless, when the competent judicial authorities or the police have forbidden payment of the amount, payment to bearer does not discharge the debtor so far as a third party to whom the bond may rightly belong is concerned.

Article 321.
Whoever is liable for payment of a bearer bond is only bound to pay on delivery of the bond itself, unless it has already been cancelled.

Article 322.
In case of loss of bearer bonds with coupons or with vouchers for renewal of coupons attached, or in case of loss of bearer bonds which entitle the holder to interest or dividends at regular intervals, cancellation of such bonds will be decreed in conformity with the following provisions.

Article 323.
The plaintiff must prove to the Court of First Instance of the place residence of the debtor that he owned the bond and that he has lost it for the time being. When only the coupon-sheet or the voucher for renewal of coupons has been lost by the plaintiff the production of the bearer bond itself will be sufficient.

Article 324.
If, in the circumstances, the court considers the plaintiff's explanations satisfactory, it must, by means of a notice published in the newspapers, notify the unknown holder that if the bond is not produced within three years from the publication of the first notice it will be cancelled. The court may, if necessary, grant an extension of this period.

Article 325.
On the request of the plaintiff, the court may forbid the maker to pay the bearer bond except against guarantee or other security approved by the court.

Article 326.
In the case of loss of coupons, so far as coupons falling due during the course of the proceedings are concerned, the provision of Articles 332 and 333 will be applied.

Article 327.
The summons mentioned in Article 324 must be published three times in the Official Gazette. The court may, moreover, order publication in the news papers.

Article 328.
If, as a result of the above-mentioned notices, the lost bond is found, the court will grant the plaintiff a reasonable time and inform him that if at the expiration of that time he has not filed a suit or substantiated his claim, judgment will be given against him, and the bond delivered to whoever produced it.

Article 329.
If, after the period fixed and notice published in conformity with Article 324, the bond is not produced, the court shall decree its cancellation.

Article 330.
The cancellation of a bond shall be immediately notified in the Official Gazette or by such other means as the court deems fit.

Article 331.
After decree of cancellation has been issued, the plaintiff has the right to demand that a new bond or coupon should be issued to him at his expense. He has the right to demand payment, if the bond has fallen due.

Article 332.
When the lost bonds are not bearer bonds as mentioned in Article 322, action shall be taken in the following manner: If the court considers the statement of a claimant to a lost bond trustworthy, it shall order the debtor to pay the amount into court at once if the bond is overdue, or at maturity if it is not yet due for payment.

Article 333.
If the bond is produced before the expiry of the period after which it will be considered cancelled, procedure will be in accordance with Article 328. Otherwise the amount paid into court shall be handed to the plaintiff.

Article 334.
The provisions of this Part are not applicable to bank-notes.

Part Six: Brokerage

Chapter One: Generalities

Article 335.
A Broker is a paid agent employed to make contracts in matters of business between other parties, or who is employed by parties to buy or sell goods or merchandise for them. The law relating to agents is in principle applicable to brokers.

Article 336.
The broker may undertake brokerage in various kinds of business. He may even trade on his own account.

Article 337.
The broker must inform both parties fully and accurately of all the details relating to the transactions even though he is employed by one of them only. He is responsible to each of the parties, for fraud or his shortcomings.

Article 338.
In the absence of written authority a broker may neither accept nor make payments in the names of contracting parties, nor fulfil obligations on their behalf.

Article 339.
The broker is liable for the loss of articles and documents entrusted to him in the course of business, unless he can establish that the loss or damage of the articles or documents is due to no fault of his.

Article 340.
When a sale is effected by sample, the sample must be kept by the broker until the deal is concluded, unless he is exempted from doing so by the contracting parties.

Article 341.
The broker may at the same time work for several principals and in trades of different nature, but in such case he must inform his principals of the facts and of any other condition likely to influence their decisions.

Article 342.
When a deal has been concluded by a broker and when deeds and documents relating to it have been exchanged by him between the contracting parties, the broker guarantees the accuracy and genuineness of the signatures affixed to the deeds and documents, when the signatures are those of persons who have transacted the business through him.

Article 343.
The broker is answerable neither for the solvency of his principals nor for the fulfilment of contracts entered into through his agency.

Article 344.
The broker is not responsible for the value or quality of the goods which are the subject of a contract, unless it be established that he is personally to blame.

Article 345.
When the contracting parties or one of them has transacted business on the personal undertaking of the broker, the broker stands as guarantor for such business.

Article 346.
When the broker has either a personal share or interest in the business he is obliged to inform any party who is unaware of the fact. For failure to do so he shall be responsible for any damages incurred by the said party and liable in addition to pay a fine from rials 500 to 3,000.

Article 347.
The principal and the broker are jointly and severally responsible for performance of a contract when the broker is personally interested in the business.

Chapter Two: Brokerage and Expenses

Article 348.
The broker is only entitled to brokerage when business has been done through his agency or under his directions.

Article 349.
If the broker, contrary to the interests of his principal, acts in the interest of the other contracting party, or if contrary to local trade customs and usage he receives from the said party any sum or promise of any sum, he shall lose his rights to brokerage and reimbursement for his expenses. He shall, moreover, be liable to the penalty prescribed for breach of trust.

Article 350.
When business has been undertaken forward, brokerage is due only after fulfillment of the contract.

Article 351.
If it has been agreed that the broker's expenses shall be paid to him, he must be paid in full even if the business has fallen through. This provision also applies when it is the local commercial practice to pay expenses incurred by the broker.

Article 352.
If the contract is cancelled, either by the mutual consent of the parties or for a legal cause, the broker does not lose his right to brokerage, provided that he is not responsible for the cancellation. No brokerage is payable on transactions which are prohibited.

Article 353.
No brokerage is payable on transactions which are prohibited.

Article 354.
Except when otherwise agreed, brokerage is to be charged to the principal.

Article 355.
Brokerage shall be fixed by special agreement. In the absence of an agreement, the court shall fix it after consulting experts and considering the exigencies of the place, time and nature of the transaction.1
1 - Articles 354 and 355 have been repealed by virtue of Article 13 of the Brokerage Act.

Chapter Three: Register

Article 356.
Every broker is obliged to keep a register and to enter therein all transactions entered into by his agency, with the following particulars:
1. The name of the contracting parties.
2. The subject matter of the transaction.
3. The nature of the transaction.
4. The conditions of the transaction, mentioning whether the goods are to be delivered immediately, or within a given time.
5. The price to be paid for the goods, stating whether it is to be paid immediately or within a given time, if the payment is to be in cash or in goods or by a bill of exchange, and if by bill then whether the bill is to be drawn at sight or at usance.
6. The signature of both of the contracting parties in conformity with the provisions contained in the By-Laws of the Ministry of Justice. The broker's register is subject to all the provisions prescribed for commercial books.

Part Seven: Commission Agent (Factor)

Article 357.
A commission agent is one who undertakes business in his own name, on behalf of a principal, for a commission.

Article 358.
Except as provided otherwise in the following Articles, the laws of agency will apply to such contracts.

Article 359.
A commission agent must keep his principal informed of the progress of the bussiness, and particularly inform him without delay of the execution of the commission.

Article 360.
A commission agent must insure the goods relating to the contract only if the principal has instructed him to do so.

Article 361.
When the goods sent on commission to be sold have suffered obvious damage the commission agent must, in order to retain right of recourse against the carrier, have the damage surveyed by the proper

authorities, see that the goods are suitably stored and take the necessary steps to inform his principal without delay. He will be responsible for any damage from his neglect to do so.

Article 362.

When it is likely that the goods sent to be sold on commission may deteriorate quickly, a commission agent is bound to offer them for sale immediately if his principal's interests demand it, on informing the Public Prosecutor or his substitute in the town where the goods are stored.

Article 363.

If a commission agent sells goods at a figure lower than the minimum fixed by the principal he is liable for the balance, unless he establishes that by doing so he has avoided further loss and that he was unable to obtain the principal's authority in time.

Article 364.

If a commission agent is at fault, he must indemnify his principal for all damage resulting from the disregard of his principal's orders.

Article 365.

If a commission agent buys goods at a lower price, or sells them at a price higher than that fixed by the principal, he cannot benefit the difference but must put it to the latter's credit.

Article 366.

A commission agent acts at his own risk if he sells on credit or pays any cash in advance without the permission of his principal. However, if the sale on credit is customary in accordance with the commercial practice of the place concerned, it will be considered valid in the absence of instructions to the contrary from the principal.

Article 367.

A commission agent is not responsible for payment, or for the execution of other contracts by third parties, unless he has personally guaranteed them, or has granted them credit without being authorized to do so, or unless he is considered liable by commercial practice.

Article 368.

Necessary expenses incurred by a commission agent for the conclusion of a contract and in the interest of the principal, as well as advances made in the latter's interest must be repaid, both capital and interest. A commission agent can also charge his principal with the cost of warehousing and freight.

Article 369.

A commission agent is only entitled to commission when the contract is executed or when non-execution of the contract is due to an act of the principal. In respect of business not completed for other causes, a commission agent will be entitled to commission for his services, in accordance with the commercial practice of the particular market.

Article 370.

A commission agent has no right to commission if he has acted in bad faith, particularly if he has charged a price higher than that at which he bought, or a price lower than that at which he actually sold the goods. In addition, the principal can hold the commission agent himself liable as buyer or seller. Note: The above provision will not prevent imposition of penalties prescribed for breach of trust.

Article 371.

For sums due to him by his principal, a commission agent has a lien on his principal's goods, or the amount realized therefrom.

Article 372.
If it is not possible to sell the goods, or if the principal has cancelled the order to sell, or the goods have been left for an unreasonable time with the commission agent, the latter may sell them by auction under the supervision of the local Public Prosecutor or his representative. When the principal is neither present nor represented in the place, the sale shall take place in his absence or in the absence of his representative. However, an official notice of the sale shall previously be served on him, unless the goods are of a perishable nature.

Article 373.
If a commission agent is empowered to buy or sell goods, bonds or other securities quoted on the stock exchange or on the market, he may, unless ordered to the contrary by his principal, himself deliver as seller the goods he was ordered to buy or retain as the buyer the goods he was empowered to sell.

Article 374.
In the cases provided for by the preceding Article, the commission agent must execute the contract at the price ruling on the stock exchange or in the market on the day he executes the contract, and he has the right to charge his usual expenses and commission.

Article 375.
In cases where a commission agent may himself contract as buyer or seller, he is considered to be the other contracting party should he inform his principal of the contract without disclosing the other party.

Article 376.
A commission agent can no longer act as a buyer or seller, if the principal has cancelled his order, and if the cancellation has reached the commission agent before the latter has sent notice of the completion of the order.

Part Eight: Carriage Contract

Article 377.
A carrier is a person who undertakes as his particular business the carriage of goods for hire.

Article 378.
A contract of carriage is subject to the law of agency except for cases mentioned hereafter.

Article 379.
A consignor must give the carrier the following particulars: The exact address of the consignee, the place where the goods are to be delivered, the number of bales or packages and kind of packing, their weight and contents, the time limit for delivery, the route by which the goods are to be dispatched, and the value of any precious articles. The consignor will be liable for any damage resulting from failure to give the above particulars or from giving inaccurate particulars.

Article 380.
The consignor must see that the goods are packed properly and he is liable for any damages resulting from faulty packing.

Article 381.
The carrier is responsible for damages if the packing is obviously defective and he has accepted the goods without reservation.

Article 382.
The consignor may retake the goods as long as they are in the hands of the carrier, by paying the latter's expenses and any loss he has suffered.

Article 383.

In the following cases the consignor cannot avail himself of the right mentioned in Article 382 to retake the goods:

1. When a waybill has been prepared by the consignor, and delivered to the consignee by the carrier.
2. When the consignor cannot return the receipt he has received from the carrier.
3. When the carrier has informed the consignee that the goods have reached their destination and that he must take delivery of them.
4. When the consignee, after the goods have reached their destination, has asked for delivery. In the foregoing cases the carrier must carry out the consignee's instructions. However, when the carrier has given a receipt to the consignor, he is not bound to follow the instructions of the consignee as long as the goods have not reached their destination, save when a notice of arrival has been delivered to the consignee.

Article 384.

When the goods are refused by the consignee, or when expenses and charges incurred on them are unpaid, or when the consignee is absent, the carrier must notify the consignor and keep the goods temporarily in a warehouse or store them with a third party. In any case, the consignor or the consignee does not take delivery of the goods within a reasonable time, the carrier may sell them in accordance with Article 362.

Article 385.

If the goods are liable to deteriorate rapidly or if their estimated value does not cover the charges to which they are liable, the carrier must without delay bring the facts to the knowledge of the Public Prosecutor of the place or his representative and proceed under his supervision with the sale of goods. The consignor and the consignee shall, as far as possible, be informed that the goods are to be sold.

Article 386.

If the goods have perished or are lost, the carrier is responsible for their value, unless he can establish that the loss or destruction resulted either from inherent defect in the goods, or from a fault of the consignor or consignee, or from instructions given by one of them, or from an act of God. By agreement the parties may fix the amount of damage at a higher or lower figure than the actual value of the goods.

Article 387.

The carrier also remains responsible, within the limitations of the preceding Article, for all damages resulting from delayed delivery, deterioration or damage to the goods. Except by agreement of the parties, the said damages cannot exceed the indemnity to be paid in the event of total loss of the goods.
Article 388.
The carrier is liable for all loss or damage during carriage whether incurred by him personally or another carrier employed by him. It is obvious, nevertheless, that in the last case the right of the carrier to sue whoever he has entrusted with the carriage of the goods is unaffected.

Article 389.

The carrier is obliged to inform the consignee as soon as the goods have arrived.

Article 390.

When the consignee queries the amount of expenses and other sums claimed by the carrier, he may insist on delivery of the goods only if he deposits with the court the amount in dispute, pending the hearing of the case.

Article 391.

When goods are accepted without reservation and the cost of carriage is paid, no proceedings may be started against the carrier, except for fraud or serious error. But the carrier remains liable for non-apparent damage if the consignee gives notice of damage within the time limit allowed for exanimation of goods as laid down in the contract of carriage and if he informs the carrier as soon as he has

ascertained the damage. Thus information must, in any case, be given at the latest within eight days following delivery of the goods.

Article 392.
Every time there is litigation between the carrier and the consignee, the competent court of the district may, if requested to do so by one of the parties, order that the goods should be entrusted to a third party, or sold of so required. In the latter case the sale must only take place when a proper inventory of the goods, stating their condition, has been made. The sale may be prevented by payment of all expenses and sums claimed for the goods or if this sum is deposited with the court.

Article 393.
Proceedings for damages against the carrier are barred after one year. The period of limitation begins to run in cases of destruction, loss or delayed delivery from the day when delivery should have been made, and in case of damage, from the day goods have been delivered to the consignee.

Article 394.
Carriage by post is not subject to the provisions of this part.

Part Nine: Commercial Substitutes & Other Commercial Representatives

Article 395.
A commercial substitute is a person appointed by the head of a business firm as his substitute to transact all business on behalf of the firm or one of its branches and whose signature binds the firm. The appointment may be made in writing or implied.

Article 396.
Any limitation of the powers of a commercial substitute is null and void as regards third parties who were unaware of it.

Article 397.
A commercial procuration may be given to several persons jointly, mentioning the fact that the firm shall only be bound by their joint signatures. However, this limitation is void against third parties who are unaware of it, unless it has been registered and published in accordance with the regulations of the Ministry of Justice.

Article 398.
A commercial representative cannot without the authority of the head of the firm appoint a substitute to manage the business of the firm.

Article 399.
The dismissal of a commercial representative whose authority has been registered and published, must also be registered and published according to the regulations of the Ministry of Justice, otherwise the power of attorney shall remain in full force as far as third parties are concerned who are unaware of its cancellation.

Article 400.
The authority of a commercial substitute is not revoked by the death of incapacitation of the head of the firm. The dissolution of a firm, however, involves the revocation of the powers granted to a commercial substitute.

Article 401.
The procuration of other persons representing a firm or a branch of the firm is subject to the general provisions governing agency.

Part Ten: Guarantees

Article 402.
Except by agreement between the parties (either under a special contract or by the terms of the guarantee itself) a guarantor cannot demand that the creditor first exercise recourse against the principal debtor before demanding payment under the guarantee, if the principal debtor fails to pay.

Article 403.
In all cases where, according to law or by private agreement, the guarantee is joint and several, the creditor may sue the guarantor and principal debtor jointly, or take action individually against one of them for the total amount of the balance of his debt, and then sue the other for any sums still owing.

Article 404.
The above provisions apply equally when several persons are, according to an agreement or by law, jointly and severally responsible for the fulfilment of a guarantee.

Article 405.
A guarantor is not liable for payment until the principal debt falls due, even though payment of the debt has been accelerated owing to the bankruptcy or death of the principal debtor.

Article 406.
The above provisions do not apply to a guarantee for the immediate payment of the debt.

Article 407.
If the right to demand payment of the principal debt is subject to previous notice, this notice must also be given to the guarantor.

Article 408.
A guarantor is freed from liability as soon as the principal debt is extinguished for any reason whatsoever.

Article 409.
As soon as payment of the debt falls due the guarantor may compel the creditor to accept payment or to release him, even though a delay has been mentioned in the guarantee.

Article 410.
The refusal of the creditor to accept payment of the debt or his refusal to deliver up securities where the debt is secured, immediately and automatically discharges the guarantor.

Article 411.
When the guarantor has paid the principal debt, the creditor is bound to deliver to him all the deeds and documents he requires to take action against the principal debtor. If the principal debt is otherwise secured, he must also deliver up the securities. In cases where the principal debt is secured by a mortgage of real property, the creditor is bound to complete the necessary formalities for transferring the property to the guarantor.

Part Eleven: Bankruptcy

Chapter One: On Generalities

Article 412.
The bankruptcy of a merchant or of a commercial company arises upon suspension of payment of sums due by them. Judgment declaring a merchant bankrupt, who died in a state of insolvency, may be given within one year after his death.

Chapter Two: On Declaration of Bankruptcy and Its Effects

Article 413.
Within three days from his ceasing payment of his debts or other liabilities, every merchant must declare his insolvency to the Office of the Court of First Instance in the place where he resides and deliver to the office of the court his balance sheet and all his books.

Article 414.
The balance sheet mentioned in the preceding Article must be dated, signed by the merchant and must contain the following particulars:
1. A detailed statement giving the value of all movable and immovable property.
2. A statement of all his assets and liabilities.
3. A profit and loss account and a statement of personal expenses. In the event of the failure of a General Partnership Company, a Joint Stock Partnership Company, or a Proportional Liability Company, the names and addresses of all the general partners must also be given.

Article 415.
A merchant is declared insolvent by the Court of First Instance in the following cases: a) Upon the declaration of the merchant himself. b) Upon the request of one or more creditors. c) Upon the request of the Public Prosecutor of the Court of First Instance.

Article 416.
The court must by its order fix the date of the cessation of payment. Otherwise the date of the cessation of payment will be considered to be that of the order.

Article 417.
An order of bankruptcy is to be executed provisionally.

Article 418.
Dating from the order of bankruptcy, the bankrupt is deprived of all his property and of any property which devolves upon him as long as he is in a state of bankruptcy. The Liquidator is vested with the rights and powers of the bankrupt and can exercise them in his name and place particularly for the payment of his debt.

Article 419.
Any person contemplating proceedings in respect of movable or immovable property against the bankrupt, after declaration of bankruptcy, must notify the Liquidator or bring his action against him. The same rule applies to the execution of a judgment.

Article 420.
If it deems fit the court may allow the bankrupt to intervene as third party in any action brought against him.

Article 421.
As soon as a person is adjudged bankrupt, debts due by him which have not yet matured become payable, but an allowance by way of discount will be made for the period the debt has to mature.

Article 422.
If a bankrupt has endorsed a promissory note, or if he has drawn a bill of exchange which has not yet been accepted, or has accepted a bill of exchange drawn on him, the persons responsible for the payment of the said promissory note or bills must pay them in cash, but an allowance by way of discount will be made for the period in which the promissory note or bill has to mature or give security for the payment of the promissory notes or bills when they fall due.

Article 423.

The following are null and void, if effected by the bankrupt after cessation of payment:

1. Any voluntary settlement, any gift inter vivos, and in general any transfer of movable or immovable property, except for valuable consideration.
2. Any payment, by whatever means, of debts due or not due.
3. Any transaction relating to movable or immovable property prejudicial to the interests of the creditors.

Article 424.

If, following an action by the Liquidator, or by a creditor against those who have had transactions with the bankrupt or their nominees, it is established that the bankrupt, prior to the cessation of payment, in order to avoid his liabilities or defraud his creditors, has made a contract involving a loss of more than one quarter of the value of the goods at the time the contract was signed, the said contract may be annulled, unless the other party to the contract pays the difference prior to delivery of judgment by the court. Proceedings for annulment may be started at any time within two years from the date of the contract.

Article 425.

If, in accordance with the preceding Article, the Court declares the contract void, the defendant, after final judgment has been given, must deliver to the Liquidator the goods which formed the consideration for the contract, and receive from him their price as evidenced by the contract, and this must be done before the bankrupt's assets are distributed among the creditors. If the goods themselves are no longer in the hands of the defendant, he must pay the difference in price.

Article 426.

If it is established in court that the contract was prompted by a desire to defraud or has been due to a collusion, the contract becomes automatically null and void. The property forming the consideration for the contract and the profits shall be returned, and the contracting party will rank with the ordinary creditors.

Chapter Three: On Appointment of Official Receiver

Article 427.

In the order declaring a merchant bankrupt the court will appoint a person in the capacity of official receiver.

Article 428.

The official receiver is bound to supervise and expedite the settlement of the affairs of the bankrupt.

Article 429.

The official receiver shall report to the court any disputes arising from the bankruptcy which are within the jurisdiction of the court to settle.

Article 430.

Appeal against the decision of an official receiver is only possible in cases provided for by this Act.

Article 431.

The court that appointed the official receiver shall deal with such appeal.

Article 432.

The court can always change the official receiver and have him replaced by another.

Chapter Four: On Affixing Seals and the First Steps in Relation to Bankruptcy

Article 433.
In its order adjudging a person bankrupt, the court shall also order the affixing of seals.

Article 434.
The seals shall be immediately affixed by the official receiver unless the latter considers that the bankrupt's assets can be scheduled within one day, in which case he must proceed without delay to make an inventory.

Article 435.
If a bankrupt has failed to act in accordance with the provisions of Articles 413 and 414, the court shall order his arrest in the order declaring him bankrupt.

Article 436.
The arrest of a bankrupt may also be ordered, if it is established that he intends by his own acts to prevent the liquidation and administration of the affairs in bankruptcy.

Article 437.
When a debtor merchant absents himself or conceals the whole or part of his assets, a justice of the peace may, on being requested to do so by one or more creditors, proceed immediately with the affixing of seals. He must without delay inform the Public Prosecutor that he is taking such steps.

Article 438.
The seals shall be affixed on shops, business premises, cash-boxes, bill-cases, books, papers, effects and furniture of the bankrupt both in his business premises and in his private dwelling.

Article 439.
In case of failure of General Partnership, Joint Stock Partnership, or Proportional Liability Partnership, the seals shall not be affixed to the personal property of general partners, unless the said partners have also been declared bankrupts, either by the order which declares the company bankrupt or by a special order.
Note: In cases provided for by the present and the preceding Articles, the property and articles not liable to distraint for debt are exempted from sealing.

Chapter Five: On Liquidators

Article 440.
In the order of bankruptcy, or at latest within five days from this order, the court shall appoint a person to act in the capacity of Liquidator.

Article 441.
The steps to be taken by the Liquidator, either with a view to preparing the statement of creditors or to informing the latter and fixing the period within which they must appear, and the general powers of the Liquidator in excess of those provided for by this Act, shall be fixed by a By-Law of the Ministry of Justice.

Article 442.
The amount of the Liquidator's remuneration shall be fixed by the court within the limitations of the regulations promulgated by the Ministry of Justice.

Chapter Six: Powers and Duties of a Liquidator

Treatise 1: On Generalities

Article 443.
If the seals have not been affixed before the appointment of the Liquidator, he shall request that this formality be completed.

Article 444.
On the request from the Liquidator, the official receiver shall allow the following articles to be exempted from sealing, or remove seals which have already been affixed thereon:
1. Clothing, furniture and effects necessary for the bankrupt and his family.
2. Perishable commodities or those likely to depreciate in value rapidly.
3. Articles required for the working of the bankrupt's business, when the affixing of seals to such articles would be prejudicial to the creditors. Commodities mentioned in Clauses (2) and (3) are required to be assessed immediately and an inventory to be made thereof.

Article 445.
The sale of perishable commodities or those likely to depreciate in value, as well as those which can only be kept at great expense, shall be carried out by the Liquidator on being authorized by the official receiver. The continuation of the bankrupt's business must be similarly authorized.

Article 446.
The clerk of the court with the assistance of the official receiver or a Justice of the Peace shall remove the seals affixed to the bankrupt's books and hand them to the Liquidator after having ruled them off. He shall state briefly in an official report the condition in which he found them. The seals shall also be removed from short usance bills or bills likely to be accepted, or from bills which must be protested. These will be listed in an official statement and handed to the Liquidator for collection. The official statement prepared by the Liquidator shall be delivered to the official receiver. The other debts shall be collected by the Liquidator against his receipts. The letters addressed to the bankrupt shall be handed to the Liquidator and opened by him. The bankrupt shall be allowed, if present, to take part in the opening of the said letters.

Article 447.
When the bankrupt has no other means of existence, he may claim for himself and for his family an allowance to be paid from the assets. In such cases, the allowance shall be fixed by the official receiver with the approval of the court.

Article 448.
The Liquidator shall summon the bankrupt to close his accounts and rule off the books. A maximum respite of 48 hours shall be granted to him within which to appear. If the bankrupt fails to appear, action shall be taken in the presence of the official receiver. The bankrupt may be present at all bankruptcy proceedings and particularly when measures are taken with a view to safeguarding the interest of the bankrupt.

Article 449.
If the bankrupt has not delivered his balance sheet, the Liquidator shall immediately draw up a balance sheet from the books and papers of the bankrupt, and from any other information he may procure.

Article 450.
The Liquidator is authorized to interrogate and to hear the bankrupt, his clerks and employees and all other persons on all matters concerned with the drawing up of the balance sheet and with the circumstances of the bankruptcy. He must prepare a report thereon.

Treatise 2: On Removal of Seals and Drawing Up of the Inventory

Article 451.
After having requested the removal of seals, the Liquidator shall proceed to draw up the inventory of the bankrupt's property. The latter shall be summoned by the Liquidator but the work can be proceeded within his absence.

Article 452.
The Liquidator shall prepare the inventory in duplicate, as soon as the seals are removed. One of the copies shall be deposited with the office of the court, and the other will remain in the hands of the Liquidator.

Article 453.
The Liquidator may obtain help for the drafting of the inventory and the valuation of property from whoever he thinks fit. The statements of goods, which in accordance with Article 444 have not been sealed but have previously been valued, shall be annexed to the inventory.

Article 454.
Within fifteen days of his appointment, the Liquidator is bound to deliver to the official receiver a brief memorandum of the apparent state of the bankruptcy, of its causes and circumstances. The official receiver shall immediately forward the memorandum to the Public Prosecutor of the local Court of First Instance.

Article 455.
The officers of the court may, but only in the capacity of supervisors, go to the residence of the bankrupt and be present when the inventory is drawn up. They shall have at all times the right to inspect books, documents and papers relating to the bankruptcy. Their intervention, however, must not hinder the bankruptcy proceedings.

Treatise 3: On Sale of Property & Collection of Debts

Article 456.
When the inventory is completed, the goods, cash, bonds, books and papers, furniture and effects of the bankrupt (except property and articles not liable to distraint for debt) shall be handed over to the Liquidator.

Article 457.
The Liquidator shall proceed under the control of the official receiver to recover outstanding debts. He may also, with the authority of the Public Prosecutor and under the control of the official receiver, proceed with the sale of furniture and goods after notifying and summoning the bankrupt to attend. The procedure as to the sale shall be fixed by a By-Law of the Ministry of Justice.

Article 458.
The Liquidator may, with the permission of the official receiver, after notifying the bankrupt to attend, amicably settle all points at issue as regards claims by the creditors, even though the claims relate to immovable property.

Article 459.
If the matter with regard to which a settlement is made is of uncertain value, or if its value exceeds five thousand rials, such settlement becomes binding only when the court has approved of it, the bankrupt having been summoned to attend. The bankrupt shall in every case have the right to oppose the settlement. If the settlement concerns real property, the bankrupt's opposition shall be sufficient to prevent a settlement, until such time as the court decides what course shall be taken.

Article 460.
Moneys received by the Liquidator shall be deposited immediately with the local court. The said court shall open a special account for the assets and liabilities of the bankrupt. Moneys paid in may be withdrawn only on the order of the official receiver which must be approved by the Liquidator.

Treatise 4: On Safeguarding Measures

Article 461.
From the date of his appointment as such, the Liquidator must take all the necessary steps to safeguard the rights of the bankrupt against his debtors.

Treatise 5: On Verification of Debts

Article 462.
After the judgment on bankruptcy has been handed out, the creditors must deliver (within the time fixed by the Liquidator in accordance with the By-Law of the Ministry of Justice) to the clerk of the court against receipt, the original documents evidencing their debts, or certified copies, together with a statement showing the whole amounts claimed by them.

Article 463.
The verification of claims shall start within three days from the expiry of the time laid down in the preceding Article. It shall be continued without interruption in the place, and at the time fixed by the official receiver, and in the manner prescribed by the By-Law of the Ministry of Justice.

Article 464.
Every creditor whose claim has been verified, or whose name appears in. the statement of accounts of the bankruptcy may be present at the examination of the claims of the other creditors and lodge objections to debts already proved, or debts in course of examination. The bankrupt has the same rights.

Article 465.
The domicile of creditors or their representatives shall be given in the report on the verification of the debts of the bankrupt. The report shall contain a brief description of the documents as well as a note of any additions, erasures of all kinds, interlineations and a formal statement as to whether the debt is admitted or disputed.

Article 466.
The official receiver may, ex officio, order the books of the creditors to be brought before him, or ask the local court to prepare extracts from them for him.

Article 467.
If a debt is admitted, the Liquidator must write on the document evidencing the debt the following formula which must be signed by him and countersigned by the official receiver: "admitted as a liability in the bankruptcy of ---------- for the amount of ---------- the ------- day of ------" Each creditor must, within the time fixed and in the manner laid down by a regulation of the Ministry of Justice guarantee that the debt claimed by him is genuine and that he has no intention of making any illicit profit.

Article 468.
If a debt is contested, the official receiver may submit the dispute to the court. On receiving the report of the official receiver the court must examine the matter immediately. The court may order that an inquiry be made in the presence of the official receiver, who can order any person who can provide information relating to the contested debt to be summoned to appear before him or to be asked by him to furnish such information

Article 469.
When a dispute as to the admission of a debt is brought before the court and if a decision regarding it cannot be given within 15 days, the court shall order, in the circumstances, either a postponement of the summoning of the meeting to consider a composition or a scheme of arrangement or shall ask that the meeting be called without waiting for the findings of the court.

Article 470.
If the court decides that the meeting is to be summoned, it may order that the creditor whose claim is disputed shall be recognized temporarily as such to the extent of the sum referred to in the decision of the court and he shall take part in the discussion concerning the bankruptcy.

Article 471.
When a debt is the subject of criminal proceedings, the court may order an adjournment. But if it orders the meeting to be called the debt cannot be admitted provisionally, and the creditor in question can take no part in the bankruptcy proceedings pending the decision of the competent criminal court.

Article 472.
Upon the expiry of the periods fixed by Articles 462 and 467 the arrangement of a composition and other matters relating to the bankruptcy shall be proceeded with.

Article 473.
The creditors who have failed to appear within the prescribed period and have not complied with the provisions of Article 462, have no right to object to the accounts and the profits which have been accepted, or the decisions made relating to the distribution of dividends, prior to their appearance. However, they have a right to rank as creditors and to share in dividends subsequently distributed without, however, having the right to demand the share due to them under previous allotments from the assets which have not yet been distributed.

Article 474.
Those who have any claim for damages on property actually in the hands of the bankrupt and have not given up their claim must, while the bankruptcy proceedings are in progress, prove and enforce their claims.

Article 475.
The terms of the preceding Article apply equally to the right of revocation he may have over property actually in his possession, provided however that the exercise of such right shall not be prejudicial to the interests of the creditors.

Chapter Seven: On Composition and the Liquidation of the Bankruptcy

Treatise 1: On Inviting Creditors and Their General Meeting

Article 476.
Within eight days from the time laid down in the By-Law mentioned in Article 467, the official receiver shall invite, through the clerk of the court, all creditors whose claims have been verified or provisionally accepted to at tend a meeting for the purpose of discussing the acceptance of a composition or a scheme of arrangement. The objects of such a meeting shall be advertised in the newspapers as well as communicated in the summons to creditors.

Article 477.
The meeting shall be presided over by the official receiver at a place, day and hour to be fixed by him. Creditors whose claims have been verified and admitted or provisionally admitted shall appear in person or by proxy appoint ed by power of attorney. The bankrupt shall also attend this meeting and he must be present in person. He may appear by proxy only for valid reasons which must be approved by the official receiver.

Article 478.
The Liquidator shall read at the meeting of creditors a report on the state of the bankruptcy, on the formalities which have been complied with, and on the transactions carried out with the knowledge of the bankrupt. This report, signed by the Liquidator, shall be handed to the official receiver who shall prepare a statement containing all the matters discussed and all decisions taken by the meeting.

Treatise 2: On Composition

1. Formalities for a Composition

Article 479.
A composition or arrangement can only be arrived at between a bankrupt and his creditors when the formalities referred to above have been complied with.

Article 480.
A composition or scheme of arrangement must be agreed to by at least one half of the creditors plus one, representing a minimum of three-quarters in value of the total amount of debts, verified and admitted, or admitted provisionally, in conformity with Treatise V of Chapter Six, otherwise it shall be annulled.

Article 481.
If, at the meeting called to approve a composition, the creditors present re present a numerical majority of the creditors but not three-quarters in value, or if they form a majority, scheme shall be provisional only and a new meeting must be called within a week.

Article 482.
The creditors present or legally represented at the first meeting and who have signed the minutes are not bound to be present at the second meeting, unless they wish to modify their decision. If they are absent, the decisions already made by them remain valid and the bankrupt's composition shall be definitely accepted, if the majority in number and in value prescribed by Article 480 is present at the second meeting.

Article 483.
No composition can be concluded, if a bankrupt has been found guilty of fraudulent bankruptcy. When a merchant is prosecuted for fraudulent bankruptcy and the circum stances indicate that he will be acquitted and a composition will be made with him, the creditors shall be summoned to decide whether they will adjourn their meeting until after the result of the inquiry in regard to the fraudulent bankruptcy has been made known, or take an immediate decision. If they wish that the decision in this respect be taken at a subsequent time, the creditors present must be in majority in number as well as in value as prescribed by Article 480. If after the expiry of the grace the result gained from investigations carried out in respect of fraudulent bankruptcy will be employed as a basis for composition, the provisions prescribed in the foregoing Article shall be applicable in this case also.

Article 484.
If a merchant has been found guilty of culpable bankruptcy, a proposal for a composition may be entertained. However, when bankruptcy proceedings have already started, the creditors may defer their decisions as to acceptance of a composition until the result of such proceedings has been made known, in conformity with the provisions of the preceding Article.

Article 485.
All the creditors who have had the right to agree to a composition may unite to oppose it. The grounds for such an opposition, however, must be well founded and shall be notified to the Liquidator and to the bankrupt within a week of the agreement to a composition. Failing this the opposition shall be considered null and void, and the Liquidator as well as the bankrupt shall be summoned to appear at the first hearing in the court taking cognizance of the bankruptcy proceedings.

Article 486.
The composition must be confirmed by the court. Each of the parties may ask for confirmation. However, the court may give a decision only after the expiry of one week fixed by the preceding Article. If any opposition is made within this period both the opposition and confirmation of the composition shall be dealt with in one judgment. If the objection is admitted, the composition shall be null and void for all parties interested.

Article 487.
Before the court has delivered judgment regarding the confirmation, the official receiver shall submit a report to the court with regard to the nature of the bankruptcy and the admissibility of the composition.

Article 488.
In case of non-observance of the prescribed regulations, the court shall refuse to confirm the composition.

2. Effect of a Composition

Article 489.
As soon as it has been confirmed, the composition becomes binding on the creditors who have formed part of the majority or have agreed to the com position within ten days dating from the confirmation. The creditors who have neither formed part of the majority nor agreed to the composition may receive from the estate of the bankrupt their share pro rata of their debts; but they may, in future, claim from the bankrupt the balance of their debts only when creditors who have agreed to accept a com position, or have signed such agreement within the prescribed period have been paid in full.

Article 490.
Proceedings to nullify a composition will only be heard if it is discovered after confirmation that there has been fraudulent concealment and under valuation of the assets and inflation of liabilities.

Article 491.
As soon as the judgment confirming the composition has been finally issued the Liquidator shall hand to the bankrupt in the presence of the official receiver a detailed account which shall be considered final unless it is contested. He shall deliver against receipt to the bankrupt all his books, documents and papers as well as all property, except that which must be delivered to the creditors who did not agree to the composition. The Liquidator's functions shall cease as soon as he has made an arrangement for the payment of the share of the said creditors. The official receiver shall then draft a statement relating to the whole of the proceedings, after which his duties shall come to an end. In case of a dispute, the court shall take cognizance of the same and pass a judgment thereon.

3. The Annulment of a Composition

Article 492.
A composition is null and void:
1. If the bankrupt is found guilty of fraudulent bankruptcy.
2. In the case provided for by Article 490.

Article 493.
When the court has decreed the annulment of a composition the guarantor, or guarantors, if there are any, are freed from their obligations.

Article 494.
In case of non-fulfilment by the bankrupt of the terms of the composition, proceedings may be brought against him for the cancellation of the compositions.

Article 495.
If the total or partial fulfilment of the composition has been guaranteed by one or several guarantors, the creditors may ask for the fulfilment of the guarantee. In the latter case that part of the composition which has not been guaranteed shall be cancelled. If there are several guarantors, they shall be jointly and severally responsible.

Article 496.
When, after confirmation of the composition, the bankrupt is prosecuted for fraudulent bankruptcy and placed under arrest or is imprisoned, the court may take all protective measures as it deems necessary. But such measures shall cease immediately following a verdict for suspension of the proceedings, or for acquittal, or discharge has been given.

Article 497.
Upon the issue of a judgment for fraudulent bankruptcy or cancellation of the composition, an official receiver and a Liquidator shall be nominated by the court.

Article 498.
The Liquidator may affix the seals to the property of the bankrupt. He shall proceed immediately with the examination of deeds and documents and shall compare them with the former inventory. He shall prepare, if necessary, a supplement inventory. He shall summon immediately, by means of advertisements in the newspapers, the new creditors, if there are any, to produce proofs of their claims for verification, within one month. In the foregoing advertisements reference shall be made to the findings of the judgment nominating the Liquidator.

Article 499.
The examination of proofs produced by virtue of the preceding Article shall proceed without delay. There shall be no need for fresh proof of debts previously admitted or con firmed, but debts paid in whole or in part since then must be deducted.

Article 500.
Transactions by the bankrupt after the confirmation and prior to the annulment or acceptance of the composition shall be annulled only when it is established that they have been made with the intention of injuring the creditors and such injury has been effected.

Article 501.
In case of cancellation or annulment of the composition, the assets of the bankrupt shall be divided pro rata among the creditors named in the composition, and among persons who have become creditors after the composition has been agreed to.

Article 502.
When the creditors named in the composition have received a part of their claims after the debtor is declared bankrupt and prior to cancellation or annulment of the composition, the dividend they have received shall be deduct ed from the amount when the distribution takes place.

Article 503.
The provisions of the two preceding Articles shall apply equally when a bankrupt whose composition has been accepted is again declared bankrupt, without any previous annulment or cancellation of the composition having taken place.

Treatise 3: On Closing of Accounts and Termination of the Bankruptcy Proceedings

Article 504.
Failing a composition, the Liquidator shall immediately proceed with the closing of the accounts and the liquidation of the bankruptcy.

Article 505.

In case the majority mentioned in Article 480 agree, the court shall fix, within the limits of Article 447, the allowance for maintenance to be made to the bankrupt.

Article 506.

When a General Partnership Company, Simple Partnership Company, Joint Stock Partnership Company, and Proportional Liability Company is declared bankrupt, the creditors may agree to a composition with the firm itself, or exclusively with one or more of the general partners. In the latter case, the firm's assets shall be subject to the provisions of this Treatise and shared between the creditors; the personal property of the partners with whom the composition has been concluded will be excluded from the distribution. The general partner or partners with whom a private composition has been concluded shall undertake to pay a dividend out of their personal estates only. The partner with whom a special composition has been concluded shall be discharged from all joint and several liability, if there exists any.

Article 507.

If the creditors wish to continue the business of the bankrupt they must choose for this purpose an agent or attorney, unless they prefer to entrust the business to the Liquidator himself.

Article 508.

The decision conferring the authority mentioned in the preceding Article shall also fix the extent and duration thereof, as well the amount of money that the party authorized may keep in his hands in order to provide for the necessary expenses. This decision may be taken only in the presence of the official receiver and by a majority of three-quarters of the creditors in number and value. The bankrupt and dissentient creditors may, without prejudice to the provisions of Article 473, oppose this decision in the court. This opposition shall not suspend the execution of the decision.

Article 509.

Should the transactions of the attorney or of the agent entrusted with continuing the business result in liable which are greater than the assets of the bankrupt, the creditors who authorize such transactions shall be held personally liable for any amount in excess of their share of the assets, within the limits of the powers they have granted.

Article 510.

In the event of liquidation of the affairs of the bankrupt the Liquidator shall proceed with the sale of the immovable and movable property of the bankrupt, and to receive his assets and settle his liabilities, if necessary by compromise, subject to the supervision of the Liquidator and in the presence of the bankrupt. Should the bankrupt decline to appear, it will be sufficient if the Public Prosecutor is kept advised of the transactions being carried out. The sale of property shall take place according to a regulation of the Ministry of Justice.

Article 511.

As soon as the settlement of the assets of the bankrupt is complete, the official receiver shall summon the bankrupt and his creditors, and at this meeting the Liquidator will present his accounts.

Article 512.

If the bankrupt is found to be lessee of certain property, the Liquidator shall decide whether it is in the interests of the creditors to surrender or to retain the lease. In the case of surrender, the lessor shall rank as creditor to the extent of the amount of rent up to the date of surrender. In the event of a lease not being surrendered, if securities have already been given by deed to the lessor, he shall retain such securities, otherwise sufficient securities shall be given after the declaration of bankruptcy. If the Liquidator decides to surrender the lease and the lessor refuses to accept, he shall forfeit his right to the security.

Article 513.
The Liquidator may, with the authority of the official receiver, assign a lease for the remaining period on condition that the assignment is not prohibited by the lease. In case of assignment, the tenant must provide sufficient security for the payment of the rent. He must also fulfil all covenants and agreements contained in the lease.

Chapter Eight: On Different Types of Creditors and Their Rights

Treatise 1: On Creditors Secured by Pledges

Article 514.
Creditors secured by pledges shall be entered in the list of creditors by way of record only.

Article 515.
The Liquidator may at any time, with the authority of the official receiver, redeem the security for the benefit of the bankrupt party, by paying the amount due to the secured creditor.

Article 516.
If the pledge has not been redeemed, the Liquidator must sell it under the supervision of the Public Prosecutor, the secured creditor (mortgagee) being duly summoned to attend. If, after deduction of expenses, the proceeds of the sale are more than the debt, the balance shall be paid to the Liquidator if the proceeds of the sale are less than the debt, the secured creditor (mortgagee) shall rank for payment of the balance like an ordinary creditor.

Article 517.
The Liquidator shall provide the official receiver with a list of creditors claiming to be secured by pledges. The official receiver shall if required, authorize the payment of such creditors out of the first moneys received. If such privilege is contested, the matter shall be referred to the court for settlement.

Treatise 2: On the Rights of Creditors Whose Claims are Secured by a Mortgage or Charge upon Immovable Property

Article 518.
When the distribution of the sums realized from the sale of immovable property is made prior to, or simultaneously with, the division of moneys realized from the sale of movable property, and whose claims have not been entirely satisfied out of the amount realized by the immovable property, shall rank in respect of the balance due to them with ordinary creditors (who have no mortgage or charge) provided their claims have been established according to the provisions mentioned above.

Article 519.
If prior to the distribution of moneys which are realized by the sale of immovable property, any dividend should have been paid out of the proceeds of immovable property, the creditors who have a charge over immovable property and whose claims have been established and admitted, shall rank for distribution in proportion to their total claims and shall receive their share of such moneys, but any dividend thus received must be deducted when the moneys realized from the sale of immovable property are being distributed.

Article 520.
The following procedure shall be observed as regards creditors who have a charge over immovable property, but owing to the precedence of other creditors have not been able to obtain their claim in full at the time of distribution of the moneys realized from the sale of immovable property. If the said creditors, prior to the distribution of the sum realized by the sale of immovable property, should have received any dividend on account of their claim, this dividend shall be deducted from the dividend to be paid to them on account of the immovable property, and will be added to the estate available for

distribution amongst the ordinary creditors. The remaining creditors who have a charge over the immovable property will, for any balance that may be due to them, share pro rata in any sums available for distribution from the proceeds of such property.

Article 521.

If the creditors having a charge over immovable property have not received a dividend owing to priority creditors, they will be regarded as ordinary creditors and will be treated as such so far as a composition and other operations are concerned. Chapter Nine : On Distribution of Movable Property among the Creditors

Article 522.

The total amount realized from the movable property after deduction of costs and expenses connected with or incidental to bankruptcy, or any allowance granted to the bankrupt, and of the amounts paid to preferential creditors, shall be divided among all creditors pro rata to their debts previously proved and admitted.

Article 523.

With a view to enforcing the provisions of the preceding Articles, the Liquidator shall deliver each month to the official receiver a statement of the position of the bankruptcy and the moneys available for distribution. The official receiver may, if he thinks that a distribution of the sums available can be made to the creditors, fix the amount thereof and see that all the creditors are notified.

Article 524.

When the dividend is paid, the share of the creditors residing abroad will be deducted in proportion to their claims set forth in the statement of affairs. If the debts are not correctly entered in the statement of affairs, the official receiver may order that the amount set aside for their benefit shall be increased. A sum shall also be set aside for the debts regarding the admission of which nothing has been decided.

Article 525.

The amount set aside for the benefit of creditors resident abroad shall be kept on deposit until the expiry of the period fixed by the law. This sum shall be divided between the admitted creditors, if the creditors residing abroad have not proved their debts in accordance with the provisions of this Act. The same procedure shall be adopted concerning the amount set aside for debts not yet proved, if they happen subsequently to be rejected.

Article 526.

No debt shall be paid by the Liquidator except when the document evidencing it has been seen and admitted by him. The Liquidator shall state on the document the amount paid by him. However, in cases where the production of such a document is not possible, the official receiver may authorize payment by virtue of a formal statement proving the debt. In any case, the creditor shall give a formal receipt for the payment at the foot of the list of the payments made.

Article 527.

The creditors may, with the knowledge of the bankrupt, obtain permission of the court to take over the whole or part of the rights and claims of the bankrupt not yet recovered, and to deal with them in the best interests of the bankrupt; in such a case, the Liquidator shall take all the necessary steps. For this purpose any creditor may ask the official receiver to summon the other creditors, with a view to discussing the matter.

Chapter Ten: On Claims for Restitution

Article 528.

If before declaration of bankruptcy, commercial instruments have been remitted to the bankrupt with an instruction to collect and hold the proceeds in the owner's account, or to utilize them for specific purposes, they may be reclaimed by their owner. The claim for restitution can be made only when such

instruments have not been paid and where, at the time the bankrupt was declared, they were still in the possession of the bankrupt.

Article 529.
Goods consigned to the bankrupt on deposit, or remitted to him to be sold for the account of the owner, may also be reclaimed, as long as they exist in kind (wholly or in part) in the hands of the bankrupt, or in the hands of a third party who has them from him on deposit or for sale.

Article 530.
If still in their original state, the goods bought by the bankrupt for account of other parties may be reclaimed. The return of such goods may be claimed by the seller, if they have not yet been paid for. Otherwise the claim shall be lodged by the third party for whose account they have been bought.

Article 531.
When goods consigned to the bankrupt to be sold have been wholly or partly sold, without any part of the price having been settled in any way between the bankrupt and the buyer, they may be reclaimed by the owner, whether they are in the possession of the bankrupt or in the hands of the buyer. Generally, all goods belonging to other parties and still in kind in the hands of the bankrupt may be reclaimed.

Article 532.
If goods forwarded to the bankrupt for sale have been sold genuinely by the bankrupt but before he actually received them, and if the sale is evidenced by bills, bills of lading or way-bills signed by the consignor, a claim for restitution is not admissible. If such is not the case, a claim shall be admissible in conformity with the provisions of Article 539, but the claimant for restitution is bound to reimburse the creditors for any installments received by him on account as well as all partial payments made in advance for carriage, commission, insurance or other expenses, or to pay the sums due for such expenses.

Article 533.
When goods have been sold to a bankrupt trader, but have not yet been delivered either to the bankrupt in person or to a third party on his account, the seller may refuse delivery of the said goods to the extent of the amount which remains unpaid.

Article 534.
In the cases provided for by the two preceding Articles, and subject to the authority of the official receiver, the Liquidator may demand the delivery of the goods by paying to the seller the price agreed upon between the seller and the bankrupt.

Article 535.
The Liquidator may, with the approval of the official receiver, admit claims for restitution. In the event of disputes arising, the court shall pass an order after having heard the official receiver.

Chapter Eleven: On Appeals against Judgments Given in Cases of Bankruptcy

Article 536.
A judgment declaring a state of bankruptcy and likewise a judgment fixing the date of bankruptcy prior to the time when payment was actually suspended may be appealed against.

Article 537.
Appeal must be lodged by the bankrupt within 10 days, and by any other interested party within one month, if the party resides in Iran, or within two months if residing abroad. These periods will begin to run from the date of announcement of the judgment.

Article 538.
No appeal from creditors with the object of fixing the date of suspension of payment at any other date than that stated in the declaration of bankruptcy, or by any other judgment given to this effect, shall be accepted after the period fixed for admission and proving of debts has expired. The said periods having expired, the time of suspension of payment is irrevocably determined so far as creditors are concerned.

Article 539.
The period allowed for appeal against any judgment declaring a state of bankruptcy to exist shall be 10 days to count from notice to this effect. This period shall be increased at the rate of one day per six farsakhs for parties residing at a distance in excess of six farsakhs from the seat of the court.

Article 540.
No opposition, or appeal, or appeal to the Supreme Court of Justice is allowed in the following cases:
1. Judgments relating to the appointment or replacement of the official receiver or the Liquidator.
2. Judgments granting an allowance to the bankrupt or his kin.
3. Judgments which authorize the sale of effects or goods belonging to the bankrupt.
4. Judgments ordering postponement of a composition or provisional ad mission of the debts of creditors which are contested.
5. Judgments passed following petitions lodged against orders passed by the official receiver within the limits of his powers.

Part Twelve: On Culpable Bankruptcy and Fraudulent Bankruptcy

Chapter One: On Culpable Bankruptcy

Article 541.
In the following cases every bankrupt shall be declared as culpable bankrupt:
1. If his personal expenses or his family expenses in normal times have been excessive, as compared with his income.
2. If it is established that in proportion to his capital the bankrupt has used large sums either in transactions considered to be fictitious by commercial practice, or in mere chance speculations.
3. If with the object of delaying his failure, the bankrupt has effected purchases above or sale below current prices, or if with the same purpose he has indulged in ruinous practices to procure funds, either by borrowing or by issuing bills of exchange or by any other means.
4. If after stopping payment the bankrupt has given an undue preference to one of the creditors.

Article 542.
In the following cases any merchant may be declared guilty of culpable bankruptcy:
1. If he has while acting for other parties, and without receiving adequate consideration, undertaken obligations which were considered to be beyond his resources when he undertook the said transactions.
2. If he has stopped payment and has not acted in conformity with the provisions of Article 4 of this Act.
3. If since the enforcement of the Commercial Code approved on the 25th Dalve 1303 (1924), the 12th Farvardin and the 12th Khordad 1304 (1925) he has kept no books, or if his books are incomplete or irregularly kept, or if he does not show in his inventory his true assets or liabilities, provided however, that in such cases he has not been guilty of fraud.

Article 543.
Culpable bankruptcy is a misdemeanor and shall be punished with simple imprisonment from six months to three years. Article 544. This misdemeanor shall be dealt with at the request of the Liquidator, any creditor or on the prosecution by the Public Prosecutor.

Article 545.
The cost of culpable bankruptcy proceedings; lodged by the Public Prosecutor may in no case be charged against the creditors. In case of a composition, the executive bailiffs shall be unable to claim payment of their costs, until after the expiry of the period stated in the composition.

Article 546.
The cost of proceedings lodged by the Liquidator in the name of the creditors shall be paid for, in the event of a verdict of not guilty, by the creditors, and if a verdict of guilty is returned, by the State, and the State has the right of recourse against the bankrupt.

Article 547.
The Liquidator may only undertake a prosecution for culpable bankruptcy or take action on behalf of creditors after having obtained sanction of the majority of the creditors present.

Article 548.
The cost of proceedings instituted by a creditor, in case the bankrupt is condemned, shall be borne by the State and in case a verdict of not guilty is returned, shall be borne by the plaintiff.

Chapter Two: On Fraudulent Bankruptcy

Article 549.
Any bankrupt merchant shall be declared a fraudulent bankrupt and punished with the penalties laid down in the Penal Code, who has lost his books, or concealed part of his assets, or has embezzled the same by means of an agreement with an accomplice or by fictitious transactions as well as any bankrupt merchant who, either by means of documents or through his balance sheet, declares himself to be indebted for sums he does not actually owe.

Article 550.
In cases provided for by the preceding Article, the provisions of Articles 545 to 548 shall be applicable as to the proceedings and their costs.

Chapter Three: On Crimes and Misdemeanors Committed in Bankruptcy by Persons Other than Bankrupts

Article 551.
The following persons shall be declared guilty and subjected, in conformity with the Penal Code, to the penalties prescribed for fraudulent bankruptcy: 1. Persons convicted of having knowingly in the interest of the bankrupt removed, received or concealed the whole or part of his movable or immovable property. 2. Persons who have fraudulently submitted fictitious demands, either in their own names or through some other persons, and who have given the undertaking provided for by Article 467.

Article 552.
Persons carrying on trade under the name of another person or under a fictitious name who have been guilty of the practices laid down in Article 542 shall be liable to the penalties for fraudulent bankruptcy.

Article 553.
The relatives of the bankrupt who, without the complicity of the bankrupt have removed, concealed or hidden property belonging to him shall he liable to the penalties for theft.

Article 554.
In cases provided for by the preceding Articles the court which is trying the case shall pass an order on the following, even though a verdict of not guilty or discharge has been pronounced:
1. The return to the creditors of all the property and rights fraudulently obtained, even when there is no private plaintiff involved.
2. The payment of damages claimed.

Article 555.
The Liquidator who has been .guilty of misappropriation during the liquidation shall be liable to the penalties prescribed for breach of trust.

Article 556.
The Liquidator, whether a creditor or not, who, during the proceedings in bankruptcy shall have made a collusive agreement or made a special contract, either with the bankrupt or with any other person, with the object of obtaining an advantage to the detriment of some or all of the creditors, shall be punished with simple imprisonment from six months to two years.

Article 557.
All agreements entered into from the time payment ceases, shall be declared null and void with regard to all persons including the bankrupt. The contracting parties shall restore to whom it may concern any sums or property they have received by virtue of the cancelled agreements.

Article 558.
Any award or judgment rendered in relation to the present Chapter or to the preceding Chapters, shall be announced at the cost of the guilty parties.
Chapter Four: On the Administration of the Bankrupt's Property in the Case of Culpable or Fraudulent Bankruptcy

Article 559.
In all proceedings for culpable or fraudulent bankruptcy, all civil actions, other than those mentioned in Article 554, shall be outside the jurisdiction of the criminal courts.

Article 560.
At the request of the Public Prosecutor, -the liquidator is obliged to deliver to him all deeds, statements, papers and necessary information.

Part Thirteen: On Discharge of Bankrupt

Article 561.
Any bankrupt merchant who has paid his debts in full, including interest and expenses connected therewith, is discharged by law.

Article 562.
Creditors may not claim for the delay in payment of the debts due to them any interest or damages for more than five years; and in all cases interests and expenses must not exceed for each year more than seven per cent of the amount due.

Article 563.
In order that the general partner in a firm which has been adjudicated bankrupt may obtain his discharge, he must prove that he has, according to the provisions mentioned above, paid all the firm's liabilities, although a composition has been agreed to by his personal creditors.

Article 564.
In the event of continuous absence, or absence, or refusal to receive payment by one or several creditors, the bankrupt may deposit the sums due to them with the court, the Public Prosecutor being duly advised. As soon as the merchant has proved that he has made his deposit, he shall be declared discharged.

Article 565.
In the following cases, bankrupt merchants who have established their honesty for five years dating from the declaration of bankruptcy may obtain their discharge:

1. 1 When a bankrupt who has entered into a composition has paid in full all the sums he promised to pay according to the composition. This provision is applicable to a partner of a bankrupt firm who bas personally entered into a special composition with the creditors.
2. When a bankrupt can prove that his creditors have entirely released him from his debts, or have unanimously consented to his discharge.

Article 566.

The request for discharge shall be submitted, together with the necessary supporting documents to the Public Prosecutor of the Court of First Instance in whose jurisdiction the bankruptcy has been declared.

Article 567.

A copy of this request shall be posted up for one month in the court and in the Public Prosecutor's office in the Court of First Instance. The clerk of the court must also notify such request by registered letter to each of the creditors who has proved his debt during the bankruptcy proceedings, or whose debt has since been admitted and who has not been paid in full, according to the provisions of Articles 561 and 562.

Article 568.

Any creditor who has not been paid in full according to the provisions of Articles 561 and 562 may, within one month from the date of the notice mentioned in the preceding Article, object to the discharge.

Article 569.

The objection shall be made by a notification delivered to the office of the Court of the First Instance and supported by the relative documents. The opposing creditor may, by request, intervene in the proceedings for discharge.

Article 570.

At the expiry of one month, the result of the inquiries made by the Public Prosecutor, as well as the objection, shall be forwarded to the Chief of the Court. If necessary, the latter shall summon the plaintiff and the respondent to a private session of the court.

Article 571.

In the case of Article 561 the court shall only investigate the accuracy of the documents produced, and if they are in conformity with the law, shall pass an order of discharge. In dealing with Article 565, it shall weigh the circumstances and pass an order based on justice and equity. In all cases the verdict shall be delivered at a public sitting of the court.

Article 572.

The applicant for discharge, the Public Prosecutor and the opposing creditors may, within 10 days of their receiving notice by registered letter of the order of discharge, lodge an appeal against the decision. After investigation, the Court of Appeal shall pass an order in conformity with the provisions of Article 571.

Article 573.

If the application for discharge is rejected, it may be lodged again after six months have expired.

Article 574.

If the application is allowed, the judgment or order shall be entered in a register kept for this purpose in the record office of the Court of First Instance in the place where the merchant is domiciled. If the merchant is not domiciled in the place where the court has given the decree, the judgment shall be entered in red ink in the Remarks column opposite the name of :the bankrupt in the register kept for registering the names of bankrupts in the local Registry Office.

Article 575.
Fraudulent bankrupts, persons convicted of theft, swindling or breach of trust cannot obtain a discharge as long as they have not been discharged according to the Penal Code.

Part Fourteen: Business Names

Article 576.
The registration of the name of a firm is optional except where it is obligatory by order of the Ministry of justice.

Article 577.
The owner of a business in which there is no partner may not use a business name which implies the existence of a partner.

Article 578.
In the same district no one may use as a business name, a business name already registered even though the name submitted for registration is the applicant's surname.

Article 579.
The name of a business is transferable.

Article 580.
The registration of the name is valid for five years only.

Article 581.
Where the registration of the name of a business is obligatory and the name has not been registered within the prescribed period, the Registry Office shall proceed with the registration and shall charge three times the fees.

Article 582.
The Ministry of Justice shall lay down the formalities for registration of business names and for their publication, as well as the procedure to be adopted in lawsuits relating to such names. Part Fifteen : Juridical Persona1ity

Chapter One: Juridical Persons

Article 583.
All trading companies mentioned in this Act have juridical personality.

Article 584.
Concerns and establishments which have been or shall be created for noncommercial purposes acquire juridical personality from the day they are registered in a special register established by the Ministry of Justice.

Article 585.
The conditions of registration for establishments and concerns mentioned in the above Article shall be fixed by a regulation of the Ministry of Justice.

Article 586.
Establishments and concerns formed for unlawful purposes or purposes contrary to public order cannot be registered.

Article 587.
Government or municipal establishments or concerns acquire juridical personality, as soon as they are formed, without any need for registration.

Chapter Two: Rights, Duties, Domicile and Nationality of Juridical Persons

Article 588.
A juridical person may have all the rights and assume all the obligations granted by law to natural persons, except rights and obligations peculiar to man by his very nature, such as rights and obligations resulting from paternity, affiliation and other similar rights or obligations.

Article 589.
Juridical persons take decisions by means of such authorities as are competent, in conformity with the law or their Articles of Association, to do so.

Article 590.
The domicile of a juridical person is the place where its head office is established.

Article 591.
Juridical persons have the nationality of the country in which their domicile is situated.

Part Sixteen: Final Provisions

Article 592.
In transactions that merchants, or companies, or commercial establishments have heretofore effected on the strength of more than one signature (whether or not some of the signatories have signed in the capacity of guarantor or in any other capacity) a creditor may file a suit, either jointly against all signatories or individually against one of them.

Article 593.
In the case provided for by the foregoing Article, a claim made on one of the persons against whom the creditor has a right of action is a bar to proceedings against the remainder.

Article 594.
A respite extended up to the 1st Tir, 1331 (1952) is granted to all Iranian commercial companies already in existence, except joint stock companies and joint stock partnership companies, to enable them to register as a company in accordance with the provisions relating to companies mentioned in this Act. For failure to do so the provisions of Article 2 of the Registration of Companies Act, approved in the month of Khordad 1310 (1921) shall be applied to the violating company.

Article 595.
When the period mentioned in the above Article is not sufficient in which to take the preliminary steps for registration, an additional respite of six months may be granted by the competent court, on condition that half the registration fee is paid at the time of the request for the extension.

Article 596.
The date of enforcement of Article 15 of the present Act, as far as the Article applies to the fine referred to in Article 201, and the note thereof, and that of the last paragraph of Article 220, is fixed at the 1st Farvardin, 1312(1923).

Article 597.
Joint stock partnership companies already in existence are bound to form, within six months from the enforcement of the present Act, a board of directors in conformity with the provisions of the present Act, failing which every shareholder has the right to demand the dissolution of the company.

Article 598.

The creditors of a merchant who has ceased payment and who have claimed their debts before the date of enforcement of the present Act shall not be subject to the provisions of Article 473 and shall benefit by the rights granted to them by the former Act.

Article 599.

As regards creditors who have not claimed their debts in former bankruptcies before the date of enforcement of the present Act, the Liquidator of each bankruptcy shall publish an announcement and shall grant them a respite of one month so that they may act in conformity with the provisions of Article 462 of the present Act, failing which the provisions of Article 473 shall be applied to them.

Article 600.

The present Code shall come into operation from the 1st Khordad, 1314 (1935) and the following laws shall be repealed from the same date: The- Commercial Code approved on the 25th Dalve 1303 (1924), 12th Farvardin and the 12th Khordad 1304 (1925) The Act of the 2nd Tir 1307 (1928), containing an amendment to Article 206 of the Commercial Code and relating to the protest for non-payment.
The Act of the 30th Tir, 1307 (1928) authorizing the non-observance of Article 270 and one part of Article 44 of the Commercial Code relating to the organization and the Articles-of-Association of Bank Melli Iran and of Bank Pahlavi.