وزارة التجارة والصناعة
Ministry of Commerce and Industry

Regulations For Companies

1437 H./2015 A.D

00966 1 401 2222 Riyadh 11162 الرياض
Kingdom of Saudi Arabia المملكة العربية السعودية
www.mci.gov.sa

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Ministry of Commerce and Industry

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Part One: General Provisions

Article 1:

The following terms and phrases, wherever mentioned in this Act, shall have the meanings opposite to them unless the context requires otherwise.

Ministry: Ministry of Commerce and Industry

Minister: Minister of Commerce and Industry

Authority: Capital Market Authority

Chairman: Chairman of Authority's Board

Competent Agency: Ministry of Commerce & Industry, except for joint-stock companies listed on the Capital Market where the competent agency is the Capital Market Authority.

Regulations: Regulations for Companies.

Article 2:

A company is defined as a contract under which two or more persons undertake to participate in an enterprise for profit, with each contributing a share in the form of money or services, with a view to dividing any realized profits or incurred losses as a result of such enterprise.

Article 3:

1. Any company to be established within the KSA shall take one of the following forms of company:
   a. General Partnership.
   b. Limited Partnership.
   c. Joint Venture.
   d. Stock Corporation.

e. Limited Liability Company.

2. Subject to Paragraph (3) hereof, any company that does not assume one of the forms mentioned above in Paragraph (1) shall be considered null and void, and the persons who have made contracts in its name shall be personally and jointly liable for the obligations arising from such contract.
3. The provisions of these Regulations shall not apply to any company recognized under the Islamic Shari'ah unless it assumes one of the forms mentioned in Paragraph (1) hereof.

Article 4:

With the exception of joint ventures, any company incorporated in accordance with these Regulations shall be deemed to enjoy Saudi nationality and shall establish its head office in the Kingdom, but this shall not necessarily entail its enjoyment of such rights as may be restricted to Saudis.

Article 5:

1. A partner's contribution may be in cash or in kind and it may also comprise, but it may not consist solely of the partner's reputation or influence.
2. Only contributions in cash and in kind shall form the company's capital. Such capital may be modified only in accordance with these Regulations and with such of the conditions set forth in the company's memorandum association or bylaws as are not inconsistent with these Regulations.

Article 6:

1. If a partner's contribution consists of a right of ownership or of usufruct, or any other right ad rem, the partner shall, in accordance with the provisions of sale contract, be liable for warranty in case of loss or claim for recovery or the discovery of any defect or shortage therein. While if their contribution merely covers a usufruct of property, the legal provisions of lease contract shall apply to the above-mentioned matters.
2. If a partner's contribution consists of claims against third parties, they shall not be exonerated from liability to the company unless they have

collected such claims and placed at the disposal of the company within the period specified therefore.

3. If a partner's contribution consists of services, such partner shall perform all undertaken services and any earnings resulting from such services shall accrue to the company, and the partner may not perform such services for his/her own account. Nevertheless, such partner shall be under no obligation to surrender to the company any patent rights that may have obtained on any invention, unless it was so agreed.

Article 7:

Every partner shall be considered indebted to the company for the contribution he/she has undertaken to make. If he/she fails to surrender it on the date set therefor, he/she shall be liable to the company for any damages arising from such delay.

Article 8:

1. A personal creditor of any partner may not seek satisfaction on his rights out of his debtor's shares or interests in the company's capital; but he/she may, after obtaining a verdict from the competent judicial entity, do so out of the debtor's share in the net profits dividend in accordance with the company's balance sheets. Upon dissolution of the company, however the creditor's right shall transfer to his debtor's equity in the company's assets after payment of its debts.
2. A partner's personal creditor may, in addition to the rights mentioned in Paragraph (1) hereof, request from the competent judicial entity that an adequate shares be sold so that he/she may collect his/her due right from the proceeds of their sale, provided that priority is given to the unlisted stock corporations to purchase such shares.

Article 9:

1. Without prejudice to the requirements of Paragraph (2) hereof, All partners shall share the profits and losses. If it is agreed to deprive any partner of profits, or to exempt him/her from losses, such condition shall

be null and void, and the provisions of Article (11) shall be applied in this case.

2. A partner who contributes only his/her services may be exempted from sharing losses.

Article (10):

1. Only dividends may be distributed to the partners.
2. If fictitious profits are distributed to the partners, the company's creditors may request each partner, even though he/she may have acted bona fide, to refund the amount he/she may have received.
3. A partner shall not be obligated to refund the earned profits he/she has received, even if the company incurs losses in subsequent years.

Article (11):

1. A partner's share in the profits or losses shall be in proportion to his interest in the capital. However, it may be agreed in the Memorandum of Association that the partners' proportion may vary according to the Islamic Sharia' requirements.
2. If a partner's contribution is limited to his/her services and the Memorandum of Association fails to specify his/her share in the profits or losses, such interest shall be in proportion to his/her share as appraised when the company was incorporated. If there are more than one partner rendering services and their individual shares are not appraised, these shares shall be considered equal unless proven otherwise. But if a partner has furnished, in addition to his/her services, a contribution in cash or in kind, he/she shall have a share in the profits or losses for his/her service contribution along to another share for his/her contribution in cash or in kind.

Article (12):

1. With the exception of joint ventures, a company's Memorandum of Association and any amendment thereto must be recorded in writing and documented by the agency authorized by law for such documentation; Otherwise, such Memorandum of Association or amendment shall not be valid.

2. Any manager, executive or director of a company causes a failure to document the Memorandum of Association or any amendment thereto, as stated in Paragraph (1) hereof, shall be – as the case may be - held jointly liable for damages sustained by the company, or the partners, or third parties, as a result of such failure.

Article (13):

1. the managers, the executives or the directors of the company must – as the case may be, publish its Memorandum of Association and bylaws of the Stock company and any amendment thereto on the official website of the Ministry. The Ministry may collect financial fees for its services in publishing the company's Memorandum of Association and bylaws and any amendment thereto, and for issuing and certifying an extract of which. Moreover, the Ministry must be provided with one or more copies of the company's Memorandum of Association and bylaws after certifying them as published.
2. A third party may have access to the documents described in Paragraph (1) hereof, and the extract obtained from and certified by the Ministry shall be valid vis-a-vis third parties.
3. If partners, executives or directors of a company fail to publish the documents described in Paragraph (1) hereof, they be held – jointly - responsible for damages sustained by the company, or the partners, or third parties as a result of such non-publication.
4. The provisions of this Article shall not apply to joint venture companies.

Article (14):

1. Save in the case of a joint venture, the company acquires its juristic personality after being recorded in the Commercial Register; however, the company enjoys a juristic personality to the extent required for its incorporation provided that company incorporation is being completed. Otherwise, such memorandum or amendment shall not be valid vis-a-vis third parties.

2. The company's Memorandum of Association or bylaws, even though the company is published in accordance with the provisions of these Regulations, shall not be valid vis-a-vis third parties unless the company is registered with the Commercial Register; However, if non-publication is limited to one or more of the particulars which must be published, only such particulars shall be invalid vis-a-vis third parties.

Article (15):

1. All contracts, quittances, and other documents issued by the company must bear its name, its kind, its head office and its registration number with Commercial Register.
2. In addition to the above-mentioned particulars described in Paragraph (1) hereof, - save in the case of general and limited partnerships, the amount of the company's authorized and paid-in capital be stated on such documents.
3. Furthermore, during company's dissolution period, such documents must include a phrase saying: "the company is under liquidation".
4. The provisions of this Article shall not apply to joint venture companies.

Article (16):

Subject to the special causes of dissolution particular to each kind of company, a company shall be dissolved for any of the following reasons:

a. Expiration of the term fixed for the company.
b. When the object for which it was established is realized, or when it becomes impossible to realize such object.
c. Transfer of all interests or shares to one partner or one shareholder, unless such partner or shareholder desires that the company shall not continue to exist in accordance with these Regulations.
d. Agreement of the partners to dissolve the company before the expiry of its term.
e. Merger of the company into another.
f. If, at the request of one of the parties concerned and for serious reasons that justify such a step, a decisive verdict is issued to dissolve it or deem

it void; Any provision depriving the use of this right shall be considered null and void.

Part 2: General Partnership

Article (17):

A general partnership is an association of natural persons who assume joint liability for the general partnership's debts, and the partner of such partnership is considered a trader

Article (18):

1. The general partnership's name shall consist of the names of partners, or of one or more of the partners, combined with the phrase "& Associates" or whatever phrase or word that implies this meaning, and its name must include an indication that a general partnership exists.
2. If it includes the name of a nonpartner with the latter's due knowledge of such inclusion, he/she shall be personally and jointly liable for the general partnership's debts and obligations. However, The general partnership may retain in its name the name of a retired or deceased partner, with consent of such retired partner or the heirs of such deceased partner.

Article (19):

1. The partners' shares may not be represented by negotiable instruments.
2. A partner may not assign his/her interest only with the consent of all the partners or in accordance with the conditions set forth in the Memorandum of Association; Such assignment must be published in the manner prescribed in Article (13) of these Regulations. Any agreement providing for unrestricted assignability of shares shall be considered null and void. Nevertheless, a partner may assign to a third party the rights attached to his share, but the effect of such assignment shall be restricted to the parties thereto.

Article (20):

1. If a partner joins the general partnership, he/she shall be liable, to the extent of his/her entire fortune, jointly with the remaining partners for the partnership's debts incurred before and after the date of his/her joining the general partnership. However, such partner may not be exempted

from liability for previous debts incurred after the month of agreement published in the manner prescribed in Article (13) of these Regulations.

2. If a partner withdraws from the partnership or excluded from it upon a decisive verdict issued by a competent judicial entity, he/she shall not be liable for such debts and obligations as the general partnership may incur following the publication of his withdrawal or exclusion in the manner prescribed in Article (13) of these Regulations.
3. If a partner assigns his/her shares, he/she shall not be liable for partnership's debts to creditors unless the latter challenge such assignment within thirty days from the date the partnership notifies them to that effect, and when such challenge is realized he/she shall be jointly liable for such debts.

Article (21):

A partner may not be required to satisfy a debt of the general partnership out of his own money unless the partnership's liability for the debt has been established; either by virtue of the acknowledgment of those responsible for its management or by a decisive verdict or an executive bond, and after the general partnership has been duly notified to effect payment, and given a reasonable period therefor as estimated by the creditor.

Article (22):

The managers of the general partnership or its partners must, within thirty days of documenting its Memorandum of Association, publish this Memorandum of Association in accordance with these Regulations, and they must apply for the registration of the general partnership in the Companies' Register; this preceding manner shall apply as well to any amendment thereto.

Article (23):

The Memorandum of Association must be signed by all partners and shall specifically contain the following particulars:

a. The partnership's name, object, head office, and branches, if any;
b. The partners' names, residence, addresses, occupations, nationalities and dates of birth;
c. The amount of the partnership's capital with sufficient details concerning the contribution each partner has undertaken to make and the date on which it becomes payable.
d. The names of the managers, if any, and the persons authorized to sign for the partnership, without prejudice to the provisions of Article (25) of these Regulations;
e. The date of formation of the partnership and its term; and
f. The beginning and end of the partnership's financial year.

Article (24):

A partner may not, without the consent of co-partners, engage for his/her own account or for the account of third parties in a business operation of the same type as that carried on by the general partnership; nor may he/she be a partner, manager or director, or hold influential shares or interests in a general partnership that performs the same business activity; If any partner fails to fulfill such obligation, the partnership may request from the competent judicial authority to consider the operations so conducted for his/her account as having been conducted for the partnership's account, in addition to claiming compensation from such partner.

Article (25):

The partners may appoint, either in the partnership's Memorandum of Association or in a separate contract, one or more managers from among themselves or from third parties. If there are several managers, but the powers of each of them are not specified and none of them is precluded from assuming management alone, each manager may individually perform any act of management, provided that the remaining managers shall have the right to object to such act before it is completed, in which case the opinion of the majority of the managers shall prevail. In case of a tie, the matter must be submitted to the partners who will decide it in accordance with Article (27) of these Regulations.

Article (26):

A partner who is not a manager may not interfere in the management of the general partnership. However, such partner – or his/her deputy - may personally take cognizance of the conduct of the partnership's business at its head office, examine its books and records, personally extract therefrom a summary statement on the financial position of the general partnership, and extend advice to its manager. Any agreement to the contrary shall be null and void.

Article (27):

Resolutions shall be issued by a numerical majority of the partners' votes, but if such resolutions are related to the amendment of the partnership's Memorandum of Association, such resolution must be adopted by unanimous vote, unless the partnership's Memorandum of Association provides otherwise.

Article (28):

If the partners fail to specify the manner in which the general partnership is to be managed, each individual partner shall have the right to manage the partnership alone, provided that all or any of the co-partners shall be entitled to object to any act before it is completed, and the majority of the partners shall have the right to reject such objection.

Article (29):

The manager may perform all such regular acts of management as fall within the object of the general partnership and represent it before arbitration panels and third parties, unless the partnership's Memorandum of Association explicitly restricts his/her authority in this respect. At all events, the general partnership shall be bound by any act performed by the manager in its name within the limits of its object, unless the party such manager deals with is acting mala fide.

Article (30):

The manager shall not undertake any acts beyond the object of the general partnership, except with the consent of the partners or by virtue of an explicit indication in the Memorandum of Association. This prohibition shall specifically apply to the following acts:

a. Making donations, except for small and customary amount;
b. Warranty of a third party liability;
c. Seeking arbitration;
d. Reconciling the interests of the partnership;
e. Selling or mortgaging the partnership's real property unless such sale falls within the scope of the object of the partnership;
f. Selling or mortgaging the partnership's place of business (shop).

Article (31):

A manager may not conclude an agreement for his own account with the general partnership, except with special permission from the partners to be granted for each case separately, nor may he/she be a partner, manager or director in a rival partnership, or hold influential shares or interests in another partnership that performs the same business activity, except with the consent of all the partners. If any partner fails to fulfill such obligation, the general partnership may claim compensation from such partner.

Article (32):

The manager shall be responsible for compensating the damages sustained by the general partnership, or the partners, or third parties, as a result of such partner's violation of the provisions of the partnership's Memorandum of Association, or of any wrongful acts committed by him/her in the course of

performance of his/her work. Any agreement to the contrary shall be considered null and void.

Article (33):

1. If the manager is a partner appointed in the partnership's Memorandum of Association, he/she may not be removed unless a decision in this regard is issued by the competent judicial authority at the request of a majority of the partners. Any agreement to the contrary shall be considered null and void. The removal of the manager in the above case shall entail the dissolution of the general partnership, unless the partnerships Memorandum of Association provides otherwise.
2. If the manager is a partner appointed in a separate contract, or if he/she is a nonpartner, either appointed in the partnerships Memorandum of Association or in a separate contract, he may be removed by a resolution of the partners, but his removal shall not entail the dissolution of the partnership.

Article (34):

1. Any partner appointed in the partnership's Memorandum of Association may not resign from management, except for acceptable cause; otherwise, he/she shall be liable for damages. Such resignation shall entail the dissolution of the general partnership, unless the partnership's Memorandum of Association provides otherwise.
2. Any nonpartner who is appointed in the partnership's Memorandum of Association may resign from management provided that such resignation be at a proper time and after notifying the partners to that effect within a reasonable period before such decision becomes effective; otherwise, he/she shall be liable for compensation. Such resignation shall not entail the dissolution of the general partnership, unless the partnership's Memorandum of Association provides otherwise.
3. The manager, either a partner or nonparter, who is appointed in a separate contract may resign from management provided that such resignation be

at a proper time and after notifying the partners to that effect within a reasonable period before such decision becomes effective; otherwise, he/she shall be liable for compensation. Such resignation shall not entail the dissolution of the partnership.

Article (35):

1. Profits and losses and the share of every partner therein must be determined at the end of the partnership's financial year on the basis of the balance sheet prepared in accordance with generally accepted accounting standards, and audited – in accordance with generally accepted auditing standards – by a certified independent auditor.
2. Every partner shall be considered a creditor of the general partnership for his/her share in the profits as soon as such share is determined.
3. Any reduction in the partnership's capital as a result of losses shall be made up out of the profits of subsequent years, but a partner shall not be bound to make up any reduction in his/her share in the capital due to such losses unless he consents to do so.

Article (36):

1. A partner may not withdraw from the general partnership if its term is not specified, except with a reasonable justification acceptable to competent judicial authority. If the general partnership is not of a fixed term, the withdrawal of such partner must be in bon fide, and must notify the remaining partners of such withdrawal at a proper time; otherwise, the competent judicial authority may obligate such partner to continue with the partnership and claim compensation, if required.
2. The numerical majority of partners may request for the competent judicial authority to remove a partner or more partners if there are justified reasons requiring so. In this case the competent judicial authority may resolve that the company shall continue to exist after removing t such partner or partners, if that – in its discretion, will make the company carries on its operations in a normal manner that achieves the interests of the company and remaining partners and maintain third party's rights. If it is found that, after the investigation of the competent judicial authority of

the removal application, it is not possible for the company to exist between the partners, it may resolve to dissolve the company.

Article (37):

1. A general partnership shall be dissolved by the death, adjudged legal incapacity or declaration of bankruptcy, or insolvency, or by the withdrawal of any partner from the partnership; Nevertheless, the partnership's Memorandum of Association may provide that, if any partner dies, the general partnership shall continue to exist with his heirs even though they may be minors or prohibited by law from performing business operations, provided that the liability of such heirs for any general partnership's debts, if it continues to exist, shall be limited to the extent of each heir's interest from his/her testator's share in the capital. In this case, the general partnership must be, within a period not exceeding one year from the predecessor's death, converted to a Limited Partnership where the heir or those prohibited by law from performing businesses become limited partners; otherwise, the general partnership shall be deemed dissolved by virtue of these Regulations, unless the minor heir – during the mentioned period – has not reached the consent age or the cause of prohibition by law of performing business operations has not been non-existent.
2. The general partnership's Memorandum of Association may provide that, upon the death, adjudged legal incapacity, declaration of bankruptcy or insolvency, or withdrawal of any partner, the partnership shall continue to exist among the surviving partners. However, in this case, such partner or his/her heirs shall be entitled only to his/her share in the partnership's assets, which shall be determined in accordance with a report prepared by a licensed evaluator showing the fair value of each partner's share in the partnership funds as on the date of any partner's exclusion, unless the partnership's Memorandum of Association provides or the partners agree on another method for evaluation; such partner or heirs shall not have a share in any subsequent rights, except to the extent that such rights may have resulted from previous transactions.

Part 3: Limited Partnership

Article (38):

1. A limited partnership consists of two categories of partners, one including at least one general partner who is responsible in the extent of his entire fortune for the partnership's debts, and the other including at least one limited partner who is only liable for the partnership's to the extent of his/her share in the capital; the limited partner in this limited partnership shall not be considered a trader.
2. The limited partners of a limited partnership shall be subject to the provisions applicable to partners of general partnership.
3. The provisions of general partnership shall apply to any matter in this Part that a particular text has not been provided in its regard in these provisions of limited partnership.

Article (39):

1. The name of a limited partnership shall consist of the name of one or more of the general partners, combined with the phrase "& Associates" or whatever phrase or word that implies this meaning, and its name must include an indication that a limited partnership exists.
2. If the limited partnership's name includes the name of any limited partner or of a nonpartner - with the latter's due knowledge of such inclusion, he/she shall be considered a general partner as regards third parties who have dealt with the partnership based on this in good faith.

Article (40)

A limited partner may not interfere in the external acts of management not even by virtue of a power of attorney. If such partner interferes in such acts, he/she shall be jointly liable, to the extent of his/her entire fortune for the partnership's debts and obligation arising from such acts of management as he/she has performed. If the acts performed by such partner are such as to give third parties the impression that he/she is a general partner, the he/she shall be liable, to the extent of his/her entire fortune, for all the partnership's debts. However, he/she may participate in the internal acts of management, within the limits prescribed

by the partnership's Memorandum of Association. Such participation shall not, however, entail any liability on his/her part.

Article (41):

A limited partner may assign his/her interest to any other partner, and he/she may assign his/her interest to a third party after obtaining the consent of all general partners and limited partners who own the majority of the capital of the limited category, unless the Memorandum of Association provides otherwise.

Article (42):

A limited partnership shall not be dissolved by the death, adjudged legal incapacity or declaration of bankruptcy, or insolvency, or by the withdrawal of any limited partners, unless the Memorandum of Association provides otherwise.

Part 4: Joint Venture

Article (43):

A joint venture is an association of which third parties are not aware and which neither enjoys a juristic personality, nor is subject to the publication formalities or to registration requirements with the Commercial Register.

Article (44):

The existence of a joint venture may be established by any means, including evidence.

Article (45):

The Memorandum of Association of a joint venture shall specify its object, the rights and liabilities of the partners, and the manner of the division of profits and losses among them, along to other conditions.

Article (46):

No new partner may join a joint venture except with the consent of all the partners, unless the Memorandum of Association of the joint venture provides otherwise.

Article (47):

A joint venture may not issue negotiable instruments.

Article (48):

A third party shall have recourse only against the partner with whom he/she has dealt. But if the partners have so conducted themselves as to disclose the existence of the joint venture to a third party, the joint venture shall be considered a de facto general partnership in regard to such third party, Without prejudice to the applicability of all provisions of Memorandum of Association.

Article (49):

1. Every partner shall continue to hold title to his/her interest in a joint venture, unless the partners agree otherwise.
2. If the contribution is in itself a specific in kind asset and the partner who holds it is declared bankrupt, the owner of such asset shall be entitled to recover it from the bankrupt's estate after payment of his/her share of the losses of the joint venture.
3. if the contribution is in the form of cash or of tangible assets that are not set apart, the owner's sole remedy shall be to participate in the bankrupt's estate as a creditor for the value of such contribution, less his/her share in the losses of the joint venture.

Article (50):

A joint venture shall be dissolved by the death, adjudged legal incapacity, or declaration of bankruptcy or insolvency or by the withdrawal of one of the partners, unless the partnership's Memorandum of Association provides that it shall continue to exist among the surviving partners.

Article (51):

The provisions of Article (24), Article (27) and Article (35) of General Partnerships shall apply to Joint Ventures.

Part 5: Stock Corporations

Chapter 1: General Provisions

Article (52):

A Stock corporation is a capital company whose capital shall be divided into negotiable shares of equal value. The stock corporation alone shall be liable for the debts and obligation arising as a result of performing its business operations.

Article (53):

Each stock corporation shall have a name that refers to its object, and such name may not include the name of a natural person, unless the company's object is the utilization of a patent or an invention registered in the name of such person, or unless the company acquires a commercial firm and adopts the name of the latter as its own name, or unless such name used to be a name of a company that was converted to a stock corporation and included a name of a natural person. If a stock corporation is owned by one person only, a stock corporation name must include an indication implying that it is a stock corporation owned by one person.

Article (54):

The capital for a stock corporation when incorporated must be sufficient to realize its object. In all cases, the capital for a stock corporation shall not be less than five hundred thousand Saudi riyals, one-quarter of which must be as a paid-in capital upon incorporation.

Article (55):

Notwithstanding Article (2) of these Regulations, the state, public natural persons and companies owned in whole by the Government and companies whose capital is not less than five million Saudi Riyals incorporate a corporation composed of one person, and such person shall enjoy the powers of shareholders assemblies, including the constituent Assembly.

Chapter 2: Incorporation of a Stock Corporation

Article (56):

A founder of a stock corporation shall be any person who has signed its Memorandum of Association, or applied for an authorization to incorporate it, or offered a contribution in kind upon its organization, or actually participated in its organization. Any founder offered contribution in kind shall be responsible for evaluating his/her share.

Article (57):

The application for incorporation shall be submitted to the Ministry signed by the applicant or the applicants, accompanied by the corporation's Memorandum of Association and bylaws.

Article (58):

If the founders do not limit subscription for all stock to themselves they must offer for public subscription the shares of stock for which they did not subscribe in accordance with the regulations of the Capital Market Authority.

Article (59):

The amount paid from the value of the subscribed shares shall be deposited in the name of the corporation under incorporation in one of the licensed banks in the Kingdom. Only the Board of Directors, after announcing the incorporation, may dispose to such amount.

Article (60):

1. The authorization for incorporating a stock corporation shall be by virtue of a licensing decree issued by the Ministry in this regard, including any stock corporation the Government or any other public natural persons incorporate or participate in its incorporation. If the corporation's business activity requires obtaining authorization or approval from the competent agency

before authorizing its incorporation, any licensing decree shall only be issued after obtaining such authorization.

2. A stock corporation may not perform its business activity unless incorporation procedures are completed and final license required for such activity is obtained from the competent agency, if any.
3. If the application, for incorporating a stock corporation the Government or any other public natural persons incorporate or participate in its incorporation, includes an exemption from some of the Regulations, then the application for incorporation and exemption must be submitted to Council of Ministers for consideration and approval.

Article (61):

1. If the capital includes contributions in kind, the application for incorporation must be accompanied by a report prepared by a certified expert or an evaluator or more including an evaluation of the fair value of such contributions.
2. The founders shall file a copy of the evaluation report at the corporation's head office at least fifteen days prior to the holding of the constituent general meeting, and every interested party shall be entitled to review it.
3. The report shall be laid before the constituent general meeting for deliberation. If the meeting resolves to reduce the value fixed for the contributions in kind, such reduction must be approved during the meeting by the contributors in kind. If they refuse to approve the reduction, the corporation's Memorandum of Association shall be considered null and void with regard in all its members.

Article (62):

1. The founders shall summon subscribers in a constitute general meeting within forty five days from the date of the Ministry's authorization for incorporation of private subscription corporation or from the date of closing the subscription of a public subscription corporation, in accordance with the provisions of the corporation's bylaws, provided that the interval between the date of the summons and date of the meeting shall not be less than three days for private subscription corporations, and not less than ten days for public subscription corporations.

2. Any subscriber, regardless of the number of his/her shares, shall have the right to attend the constituent general meeting. The meeting shall be valid only if attended by a number of subscribers representing at least one half of the corporation's capital. If such majority does not obtain, a notice shall be sent for a second meeting to be held at least fifteen days after the date of the notice. However, the second meeting may be held after an hour from the end of the period fixed for holding the first meeting. The notice sent for the first meeting must include an indication to the possibility of holding a second meeting. In all cases, such meeting shall be valid regardless of the number of shares represented thereat.
3. The constituent general meeting shall be appoint the chairman of the meeting, the secretary, and the teller. Resolutions at the constituent general meeting shall be adopted by absolute majority vote of the shares represented thereat. The chairman of the meeting, the secretary, and the teller shall sign the minutes of the meeting and send a copy thereof to the Ministry, and a copy to the Authority if the corporation is of public subscription nature.

Article (63):

The constituent general meeting shall be competent to do the following:

a. Ascertain that the capital has been subscribed for in full and that the minimum capital has been paid up in full and to the extent of the amount payable on the value of each share in accordance with these Regulations.
b. To deliberate on the report prepared by the evaluator of in kind contributions.
c. Draw up the final provisions of the corporation's bylaws, provided that the constituent general meeting may not introduce fundamental alternations to the bylaws submitted to it, except with the approval of all the subscribers represented thereat.
d. To appoint the members of the first Board of Directors for a period not exceeding five years and the first auditor, if these have not been appointed in the Memorandum of Association or in the bylaws of the corporation.
e. To deliberate on the founders' report on the acts and expenses necessitated by the incorporation and adoption of the corporation.

The Ministry and the Authority may delegate one or more representatives to attend the constitute general meeting of the public subscription corporations as observers to ensure that Regulations are duly applied.

Article (64):

The founders shall, within fifteen days of the date of conclusion of the constituent general meeting, submit an application to the Ministry to announce the incorporation of the stock corporation. The following documents shall be attached to the said application:

a. A statement that all corporation's share have been subscribed for in full, showing the amount paid up by subscribers on the value of shares.
b. The minutes of the constituent general meeting and the resolutions adopted therein.
c. The bylaws of the company as approved by the constituent general meeting.

Article (65):

1. The Ministry shall issue a decision announcing the incorporation after verifying that all requirements provided by the corporation's bylaws are fulfilled, and then such decision shall be published on the Ministry's official website.
2. The directors must, within fifteen days of the date of issuing the decision referred to in Paragraph (1) hereof, apply for the registration of the company in the Commercial Register, provided that such registration shall specifically contain the following particulars:
    a. The corporation's name, object, head office, and term;
    b. The founders, names, residence addresses, occupations, and nationalities;
    c. The classes, value, and number , and value of shares; and the amount of paid-in capital;
    d. Reference number and date of the Ministry's decision authorizing the incorporation; and

e. Reference number and date of the Ministry's decision announcing the incorporation.

Article (66):

1. The stock corporation shall be considered duly incorporated after a period of month from the date of issue of the decision of the Ministry announcing its incorporation and registered with the Commercial Register. Thereafter, any action to invalidate the corporation by reason of any violation of the provisions of the Regulations or of its Memorandum of Association or bylaws shall be barred.
2. As a consequence of the decision announcing the incorporation of the stock corporation and registration with the Commercial Register, liability for all the acts performed by the founders for the account of the corporation shall transfer to the latter and the company shall bear all the expenses incurred by the founders during the period of organization.

Article (67):

If the stock corporation is not incorporated in the manner prescribed in these Regulations, the subscribers may recover the amounts paid up by them; and the banks where they subscribed with – in an urgent way – return to each subscriber the amount he/she paid; and the founders shall be jointly responsible for fulfillment of this obligation and for damages, if necessary. The founders shall also be liable for all the expenses incurred for the organization of the company, and shall be jointly responsible to third parties for all acts performed by them during the period of organizations.

Chapter 3: Administration of a Stock Corporation

Part 1: Board of Directors

Article (68):

1. A stock corporation shall be administered by a Board of Directors whose number shall be specified by the bylaws of the corporation, provided it is not less than three and not more than eleven.
2. Every shareholder is entitled, to the extent of his/her interest in the capital, to nominate himself/herself, or nominate someone else to be a member of the Board of Directors.
3. The ordinary General Assembly shall elect the directors for the term specified in the corporation's bylaws, provided that it shall not exceed three years. Directors, however, may be re-elected, unless the corporation's bylaws provide otherwise. The company bylaws shall specify the manner of retirement of directors or removal of directors at the request of the Board of Directors. However, the ordinary General Assembly may, at any time, remove all or any of the directors even if the corporation's bylaws provide otherwise, without prejudice to the right of a removed director to hold the corporation liable if the removal is made without acceptable justification or at an improper time. A director may resign, provided that such resignation is made at a proper time, otherwise, he/she shall be responsible to the corporation for damages.

Article (69):

If the chairman and directors of a stock corporation resign, or if the general assembly is not able to elect a Board of Directors, the Minister or Authority's Board on the listed companies form an interim committee composed of experts and competent persons in the number deemed appropriate and appoint a chairman and vice-chairman for such committee from among its members to supervise the management of the corporation. Moreover the Minister or Authority's Board shall summon the general assembly to convene, within no later than three months from the date on which such committee is formed, to elect a new Board of Directors for the corporation. The committee's chairman

and members shall be awarded in the manner prescribed by the Minister of Authority's Board, as the case may be.

Article (70):

1. Unless the corporation's bylaws provide otherwise, if the office of a director becomes vacant, the Board may appoint a – temporary - director to fill the vacancy according to the order of votes acquired by directors, provided that such appointed directors enjoy expertise and qualification; the Ministry, and the Authority if the stock corporation is listed on the capital market, must be notified to that effect within five working days from the date of appointment. Moreover, such appointment must be laid before the first ordinary General Assembly. The new director shall complete the unexpired term of his/her predecessor.
2. If the requirements for holding the meeting of Board of Directors are not fulfilled because the number of directors falls below the minimum prescribed in these Regulations or in the company's bylaws, the remaining directors must summon the ordinary General Assembly to convene within sixty days to elect the required number of directors.

Article (71):

1. A director may not have any interest whether or indirectly, in the transactions or contracts made for the account of the stock corporation, except with an authorization from the ordinary General Assembly, to be renewed annually. The director must declare to the Board of Directors any personal interest he/she may have in the transactions or contracts made for the account of the company, and such declaration must be recorded in the minutes of the Board's meeting; Such director shall not participate in voting on the resolution to be adopted in this respect during the Board and shareholders' meetings. The chairman of the Board of Directors shall communicate to the ordinary General Assembly when it convenes the transactions and contracts in which any director has either a direct or indirect personal interest. Such communication shall be accompanied by a special report from the corporation's external auditor.

2. If the director fails to make the declaration referred to in Paragraph (1) hereof, the corporation and any interested party shall have the right to claim, before the competent judicial authority, to nullify the contract and obligate the director to return any profits or interests realized.

Article (72):

A director may not participate in any business competitive with that of the corporation, or engage in any of the commercial activities carried on by the corporation; otherwise, the corporation shall have the right either to claim, before the competent judicial authority, proper compensation from him/her, unless he/she has obtained an authorization from the ordinary General Assembly - to be renewed annually - to do so.

Article (73):

1. A corporation may not grant any cash loan whatsoever to any of its directors or to shareholders; nor may it guarantee any loan contracted by a director with a third party.
2. Banks and other credit companies shall be excepted from Paragraph (1) hereof. These may, within the limits of their objects and under the same terms and conditions as they apply to their transactions with the public, grant loans to or open credits for their directors or guarantee loans contracted by them with third parties.
3. Loans and guarantees that the corporation grants, in accordance with incentive programs, to its employees and which are approved in accordance with the provisions of bylaws or by virtue of a resolution by the ordinary General Assembly, shall also be exempted from Paragraph (1) hereof.
4. Any contract concluded in violation of the provisions of this Article shall be considered null and void, and the corporation may claim before the competent judicial authority the violator compensation for damages.

Article (74):

Directors may not disclose outside a general meeting any secrets of the company as may have come to their knowledge by reason of their directorship to achieve personal interest or in favor of their relatives or third parties; otherwise, they must be removed and held liable for damages.

Article (75):

1. With due regard to the prerogatives vested in the general meeting, the Board of Directors shall enjoy full powers in the administration of the corporation, except for any exceptions provided for by virtue of a particular clause expressed in these Regulations or in the corporation's bylaw. The Board shall be entitled, within the scope of its competence, to delegate one or more of its members or others to perform an act or certain acts.
2. Nevertheless, the Board of Directors may not contract loans or sell or mortgage the real property or the place of business of the corporation, or release the debtors of the company from their liabilities, unless so authorized in the bylaws of the corporation or upon a resolution by the ordinary General Assembly restricting the Board's powers in this respect.

Article (76):

1. The corporation's bylaws shall specify the manner of remunerating directors. Such remuneration may consist of a specified amount, or of an attendance fee for the meetings, or of material benefits, or of a certain percentage of the net profits, or of a combination of two or more of these benefits.
2. If such remuneration represents a certain percentage of the corporation's profits, it must not exceed (10%) of the net profits after deduction of the reserves determined by the general meeting pursuant to the provisions of these Regulations and of the corporation's bylaws, and after distribution of a dividend of not less than (5%) of the corporation's paid-in capital, provided that realization of such remuneration shall proportional to the

number of meetings attended by the director, and any determination of remuneration made in violation of this provision shall be null and void.

3. In all cases, the total value of remunerations and cash or in kind benefits granted to any director must not exceed the amount of five hundred thousand Saudi riyals, in accordance with the controls set by the competent authority.
4. The Board of Directors' report to the ordinary General Assembly must include a comprehensive statement of all remunerations, amounts in lieu of expenses and other benefits received by directors during the financial year. Such report must also include a statement of all the amounts received by the directors in their capacity as officers or executives of the corporation, or in consideration of technical, administrative or advisory services. It must also state number of meetings held by the Board and number of meetings attended by each director from the date of the last general meeting held.
5. The general meeting, upon a recommendation from the Board of Directors, may remove any director who misses three consecutive Board meetings without providing acceptable excuse.

Article (77):

The corporation shall be bound by all the acts performed by the Board of Directors, even though they may fall beyond the scope within the limits of its competence, except if such director is acting mala fide with the latter's due knowledge that such acts fall beyond the Board's scope of competence.

Article (87):

1. Directors shall be jointly liable for damages to the corporation or the shareholders, or third parties, arising from their maladministration of the affairs of the corporation, or their violation of the provisions of these Regulations or of the corporation's bylaws. Any stipulation contrary to this provision shall be considered null and void. Moreover, all directors shall be jointly liable if the wrongful act arises from a resolution adopted by unanimous vote. But with respect to resolutions adopted by majority

vote, dissenting directors shall not be liable if they have expressly recorded their objection in the minutes of the meeting. Absence from the meeting at which such resolution is adopted shall not constitute cause for relief from liability, unless it is established that the absentee was not aware of the resolution, or, on becoming aware of it, was unable to object to it.

2. The agreement of the ordinary General Assembly to relieve the Board directors of liability shall not preclude the filing of a claim therefor. Except in cases of fraud and forgery, the action for liability may not be heard if five years have elapsed since the date of the end of the financial year during which damaging act occurred, or if three years have elapsed since the end date of the directorship of such director, which is further.

Article (79):

The stock corporation may institute an action for liability against members of its Board of Directors for wrongful acts that cause damage to the assembly of shareholders. The resolution to institute this action shall be made by the General Assembly, which shall appoint a person or persons to pursue the action on behalf of the corporation. If the corporation is adjudged bankrupt, then the right to institute this action shall rest with the receiver, and upon the dissolution of the corporation, the liquidator shall institute and pursue the action after obtaining the approval of the ordinary General Assembly.

Article (80):

Every shareholder shall have the right to institute the action in liability against directors on behalf of the corporation if the wrongful act committed by them is of a nature to cause such shareholder personal prejudice. However, the shareholder may institute such action only if the corporation's right to institute it is still valid and after notifying the company of his/her intention to do so. If a shareholder institutes such action, his/her right shall be limited to claiming compensation only to the extent of the prejudice caused to him/her.

Article (81):

1. Subject to the provision of the corporation's bylaws, the Board of Directors shall appoint from among its members a chairman and a managing director, and may appoint a delegate director, but such appointed director may not combine the post of chairman and managing director or any executive post in the corporation. The corporation's bylaws shall also provide for the competences of the chairman and delegate director and the special emoluments to be received by each of them in addition to the remuneration prescribed for Board members.
2. if the company's bylaws do not contain any provisions as described in Paragraph (1) hereof in this respect, the Board of Directors shall divide the duties and powers among them and specify their special emoluments.
3. The Board of Directors shall also appoint a secretary from among its members or others, and shall determine his duties and powers and fix his/her remuneration, if the company's bylaws do not contain any provisions in this respect.
4. The term of office of the chairman, the managing director, the delegate director and the secretary who is a director shall not exceed the term of their respective directorships, and they may be re-elected unless the corporation's bylaws provide otherwise. Moreover, The Board may, at all times, remove all or any of them, without prejudice to their right to damages if the removal is made without acceptable justification or at an improper time.

Article (82):

1. The chairman of the Board of Directors may represent the corporation before courts, arbitration tribunals and third parties; in such case, the chairman shall, by virtue of a written resolution, delegate his/her powers to other directors or others to undertake specific operation or operations.
2. In the absence the chairman, the managing director shall replace the chairman.

Article (83):

1. The Board of Directors shall meet at least twice a year at the summons of its chairman in the manner prescribed in the corporation's bylaws. Nevertheless, and notwithstanding any provision to the contrary in the corporation's bylaws, the chairman must convene the Board if requested to do so by two directors.
2. A meeting of the board shall be valid only if attended by at least one half of the directors, provided that the number of those present shall not be less than three, unless the company's bylaws provide for a larger proportion or number.
3. A director may not give proxy to any other director to attend the meeting on his/her behalf; however as an exception, a director may be represented by another director if this is authorized by the corporation's bylaws.
4. Resolutions of the Board shall be adopted by majority vote of the directors present or represented; In case of a tie, the chairman's vote shall carry, unless the corporation's bylaws provide otherwise.

Article (84):

The Board of Directors may adopt resolutions by putting them to the directors individually, unless a director requests in writing that the board be convened to deliberate on such resolutions, in which case they shall be laid before the Board at the first following meeting..

Article (85):

Deliberations and resolutions of the board shall be recorded in minutes to be signed by the chairman, present directors and the secretary. Such minutes shall be entered in a special register, which shall be signed by the chairman and the secretary.

Part 2: General Assembly of Shareholders

Article (86):

1. Meetings of the General Assembly of shareholders shall be presided over by the Chairman; in the absence of the chairman, the managing director shall preside over the meeting. If the chairman and the managing director are absent, the Board shall delegate a director from among its directors to preside over the meeting.
2. Every shareholder is entitled to attend the General Assembly of shareholders even if the corporation's bylaws provide otherwise, and such shareholder has the right to delegate any person other than directors or employees to represent him/her at the General Assembly.
3. The shareholder may participate in the deliberations of the General Assembly of shareholders and vote on its resolutions using modern technology methods, in accordance with the controls set by the competent authority.
4. The Ministry and the Authority may delegate one or more representatives to attend the General Assembly of corporations as observers to ensure that Regulations are duly applied.

Article (87):

Except for matters falling within the jurisdiction of the extraordinary general meeting, the regular meeting shall be competent in all matters related to the corporation and shall be convened at least once a year within six months of the end of the corporation's financial year. Other ordinary General Assemblies may be convened whenever the need arises.

Article (88):

1. The extraordinary General Assembly shall be competent to amend the bylaws of the corporation except in respect of:

a. To deprive a stockholder of or alter his/her fundamental rights in his/her capacity as a shareholder of the corporation, specifically the following rights:
   1. To obtain a share in the profits declared for distribution, either this distribution is in cash or by way of issuing free shares for others than the corporation and its subsidiaries' employees and workmen;
   2. To obtain an equity in the corporation's assets upon liquidation;
   3. To attend General Assemblies of shareholders and participate in the deliberations and vote on its resolutions thereat;
   4. To dispose of his/her shares in accordance with these Regulations;
   5. To have access to the corporation's books and documents, and the right to observe the acts of the Board of Directors, to institute the action in liability against the directors, and to contest the validity of the resolutions adopted at shareholders meetings;
   6. To have a pre-emptive right to subscribe for new shares, unless all shareholders refuse this.

b. Alterations of a nature to increase the financial liabilities of shareholders.

c. Transferring the head office of corporation outside the Kingdom.

d. Changing the nationality of the company.

2. An extraordinary General Assembly, in addition to other competences, may adopt resolutions on matters falling primarily within the jurisdiction of the ordinary General Assembly, subject to the same conditions and in the same manner as prescribed for the latter.

Article (89):

If a resolution adopted by a General Assembly entails the alteration of the rights of a certain class of shareholders, such resolution shall not be valid unless it is approved by those entitled to vote from among the shareholders of that class, at a special Assembly of such shareholders convened in accordance with the rules prescribed for extraordinary General Assembly.

Article (90):

1. General or special Assemblies of shareholders shall be convened at the summons of the Board of Directors in the manner prescribed in the bylaws of the corporation. The board of directors must call an ordinary General Assembly if so requested by the auditor, the Review committee or by a number of shareholders representing at least (5%) of the capital. Moreover, The auditor may call an ordinary General Assembly to convene if such meeting is not called by the Board of Directors within thirty days from the date of the auditor's request.
2. The competent authority may call an ordinary General Assembly in the following cases:
   a. If the General Assembly has not convened after the elapse of the term set therefor in Article (87) of these Regulations;
   b. If the number of directors falls below the minimum required for the General Assembly to convene, without prejudice to Article (69) of these Regulations;
   c. If there have been found any violations to the provisions of these Regulations or to the corporation's bylaws, or any mal-management.
   d. If the Board of Directors has not called an ordinary General Assembly within fifteen days from the date of the request thereto by the auditor, or by the Review committee or by a number of stockholders representing at least 5% of the capital;
   e. If a number of shareholders representing at least 2% of the capital request the competent authority to call a General Assembly to convene in the presence of any of the circumstances stated in Paragraph (2) hereof. Then, the competent authority shall send a notice of a General Assembly within thirty days from the date of the shareholder's request, provided that such notice shall contain an agenda of the General Assembly and the items that require shareholders' approval.

Article (91):

Notice of General Assembly shall be published in the Official Gazette and in a daily newspaper distributed in the locality of the head office of the company, at least ten days prior to the date set for the meeting. Nevertheless, if corporation is listed on the capital market, a notice may be only sent by registered mail to

all shareholders. A copy of both the notice and the agenda shall be sent to the Ministry and the Authority within the period specified for publication.

Article (92):

Shareholders, wishing to attend a General or Special Assembly, shall register their names at the head office of the corporation prior the time fixed for such meeting, unless the bylaws of the corporation provide another place or manner.

Article (93):

1. The ordinary General Assembly shall be valid only if attended by shareholders representing at least quarter of the corporation's capital, unless the bylaws of the company provide for a higher proportion, provided that such proportion shall not the half of the corporation's capital.
2. If this quorum does not obtain at the ordinary General Assembly in accordance to Paragraph (1) hereof, a notice shall be sent for a second meeting to be held within thirty days of the previous meeting. This notice shall be published in the manner prescribed in Article (91). However, the second meeting may be held after an hour from the end of the period fixed for holding the first meeting if this is authorized in the corporation's bylaws. The notice sent for the first meeting must include an indication to the possibility of holding a second meeting. In all cases, such meeting shall be valid regardless of the number of shares represented thereat.
3. Resolutions of the ordinary General Assembly shall be adopted by absolute majority vote of the shares represented thereat, unless the bylaws of the corporation provide for a higher proportion.

Article (94):

1. An extraordinary general meeting shall be valid only if attended by shareholders representing at least one half of the corporation's capital, unless the corporation's bylaws provide for a higher proportion provided that such proportions shall not exceed the two-thirds.
2. If this quorum does not obtain at the first meeting in accordance with Paragraph (1) hereof, a notice shall be sent for a second meeting in the manner prescribed in Article (91). However, the second meeting may be

held after an hour from the end of the period fixed for holding the first meeting if this is authorized in the corporation's bylaws. The notice sent for the first meeting must include an indication to the possibility of holding a second meeting. In all cases, such meeting shall be valid if attended by a number of shareholders representing at least one quarter of the corporation's capital.

3. If this quorum does not obtain at the second meeting, a notice shall be sent for a second meeting in the manner prescribed in Article (91), and such third meeting shall be valid regardless of the number of shares represented thereat, after the approval of the competent authority.
4. Resolutions of an extraordinary General Assembly shall be adopted by a two-thirds majority vote of the shares represented thereat. But if a resolution pertains to an increase or decrease in capital, or to extension of the term of the corporation, or to dissolution of the company prior to expiry of the term specified in its bylaws or in merger of the corporation into another company or firm, it shall be valid only if adopted by a three-fourths majority vote of the shares represented at the meeting.
5. The Board of Directors must publish, in accordance with the provisions of Article (65) in these Regulations, the resolutions adopted by an extraordinary General Assembly if these provide for alteration of the corporation's bylaws.

Article (95):

1. The corporation's bylaws shall prescribe the manner of voting at the General Assembly of shareholders. The resolutions must be adopted by cumulative voting as the voting right can be used only once by the shareholder.
2. Directors may not participate in voting on resolutions of a meeting pertaining to their relief from any liability for their administration, either related to a direct or indirect interest for them.

Article (96):

Every shareholder shall have the right to discuss the matters listed on the agenda of a General Assembly and to address questions to the directors and the auditor in respect thereof. Any provision in the corporation's bylaws depriving

a shareholder of this right shall be considered null and void. The directors or the auditor shall answer shareholders' questions to such an extent as would not jeopardize the corporation's interest. If a shareholder feels that the answer to a question put by him/her is unsatisfactory, he/she may appeal to the General Assembly whose decision shall be decisive in this respect.

Article (97):

Minutes shall be prepared for the General Assembly, showing the names of shareholders present or represented thereat, the number of shares held by each of them, whether personally or by proxy, the number of votes allotted thereto, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the debate conducted at the meeting. Following every meeting, the minutes shall be regularly entered in a special book, which shall be signed by the chairman, the secretary, and the teller of the meeting.

Article (98):

Subscription for or ownership of shares shall imply that the shareholder accepts the corporation's bylaws and will abide by the resolutions adopted by the General Assembly of shareholders in conformity with the provisions of these Regulations and the corporation's bylaws, whether in his/her presence or absence, and whether has voted for or against them.

Article (99):

Without prejudice to the rights of any bona fide third party, all resolutions adopted by any General Assembly of shareholders contrary to the provisions of these Regulations or of the corporation's bylaws shall be considered null and void. And every shareholder, who has recorded his/her objection to the resolution in the minutes of the meeting or who was absent from the meeting for acceptable reason, may request to invalidate a resolution. A resolution adjudged invalid shall be considered nonexistent for all shareholders.

Nevertheless, an action invalidation of a resolution shall be barred after the lapse of one year from the date of such resolution.

Article (100):

1. Shareholders representing at least (5%) of the corporation's capital may request the competent judicial authority to investigate the affairs of the corporation if the acts performed by directors or auditors in the conduct of the company's affairs have aroused their suspicion.
2. After hearing the directors and the auditors in a private session, the said authority may order an investigation at the expense of the complainants, whom it may, if necessary require to submit a guarantee.
3. If it is proven that the complaint is valid, the competent judicial authority may order such precautionary measures as it deems fit and call a General Assembly to adopt the necessary resolutions. It may remove the directors and auditors, appoint a temporary manager, and specify his/her powers and the term of his commission.

Chapter 4: Review Committee

Article (101):

The ordinary General Assembly of a corporation adopt a resolution to form a Review committee composed of no less than three members and no more than five from non-executive directors, either from shareholders or others. The General Assembly shall also shall specify the duties, competences and controls of this committee and the remuneration for its members.

Article (102):

The meeting of the Review committee shall be valid only if the majority of its members attended such meeting, and shall adopt its resolutions by the majority vote of the present members. In case of a tie the chairman's vote shall carry.

Article (103):

The Review committee shall be competent in supervising the corporation's operations and shall be entitled to have access to the corporation's books, records and other documents. It shall also be entitled to request from the Board of Directors or management such particulars and clarifications as it may deem it necessary to obtain. The Review committee may request from the Board of Directors to call a General Assembly to convene if the Board obstructs its work or the corporation incur huge damages or losses.

Article (104):

The Review committee shall consider the financial statements, reports and notes presented by the auditor and express its opinion and comments, if any. The Review committee must also prepare a report expressing its opinion on the adequacy internal control in the corporation, and describing other tasks it achieved within its scope of competence. The Board of Directors must place

sufficient number of copies of such report at the head office of the corporation at least ten days prior to the date set for the holding of the General Assembly to provide, whoever wishes from the shareholders, with a copy. The report of the Review committee shall be read at the General Assembly.

Chapter 5: Instruments Issued By A Corporation

Part 1: Shares

Article (105):

1. Shares of a stock corporation shall be registered and indivisible as far as the corporation is concerned. If a share is jointly owned by several persons, these must elect one of their number to exercise the rights attached to such share on their behalf, but they shall be jointly liable for the obligations arising from such ownership.
2. The par value of each share shall be ten Saudi Riyals, and the Minister may amend such par value upon agreement with the chairman.
3. Shares may not be issued at less than par value, but they may be issued at a premium if the corporation's bylaws so provide or if this is approved by a General Assembly, in which case the differential shall be added to the statutory reserve, and shall not be distributed among shareholders as profits.
4. The preceding provisions shall apply to interim certificates given shareholders before the issue of share.

Article (106):

1. The shares of the corporation may be issued either for cash or for in kind contributions.
2. The amount payable per cash share upon subscription shall not be less than one quarter of its par value; a notation of the amount paid from such value shall be made on each share instrument. At all events, the remaining must be paid up in full within five years from the date of issue.
3. The shares representing contributions in kind shall be issued after its value has been paid up in full, and it shall not be given to the holder until the ownership of all these shares is assigned to the corporation.

Article (107):

1. Cash shares subscribed for by the founders shall not be negotiable before the publication of the financial statements for two complete financial

years, each consisting of at least twelve months as from the date of incorporation of the corporation. A notation shall be made on the respective share instruments, indicating their class, the date of incorporation of the corporation, and the period during which their negotiability shall be suspended.

2. During the period of suspension title to shares issued for cash may, in accordance with the legal provisions for the sale of rights, be transferred from one founder to another, or from the heirs of a deceased founder to a third party, or in case of enforcement over an insolvent or bankrupted founder, provided that priority shall be given to other founder for owning such shares.
3. The provisions of this Article shall also apply to such shares as the founders may subscribe for in case of an increase of capital before the expiry of the period of suspension.
4. The Authority may extend or shorten the period of suspension, referred to in Paragraph (1) hereof, for the corporations that wish list their stock on the capital market.

Article (108):

The corporation's bylaws may provide for restrictions on the negotiability of shares provided that such restrictions do not permanently prohibit such negotiability.

Article (109):

1. Unlisted shares shall be transferred by means of an entry in the shareholders register that the corporation prepares or contract its preparation, which contains the shareholders' names, nationalities, residence addresses, and occupations, numbers of the shares held by them; and the amounts paid up on such shares. An annotation shall be made on the share warrant to the effect that such entry was made. A transfer of title to any registered share shall be effective as far as the company or third parties are concerned only from the date of its entry in the said register.

2. Listed shares shall be transferable in accordance with the Regulations of the Financial Market.

Article (110):

Shares shall be considered as equal rights and obligations, and every shareholder shall be vested with all the rights attached to shares, specifically the right to obtain a share in the profits declared for distribution, the right to obtain an equity in the corporation's assets upon liquidation, the right to attend the General Assembly and participate in the deliberations and vote on the resolutions proposed thereat, the right to dispose of his/her shares, the right of access to the corporation's books and documents, the right to control the acts of the board of directors, the right to institute the action in liability against the directors, and to contest the validity of the resolutions adopted at any General Assembly of shareholders, in accordance with the terms and restrictions set forth in these Regulations or in the corporation's bylaws.

Article (111):

1. The corporation's bylaws may provide for the redemption of shares while the corporation is a going concern, if the enterprise is of the gradually exhaustible type or is based on temporary rights; but Shares shall be redeemed only out of profits or of a disposable reserve fund. Redemption shall be effected successively, either by way of an annual draw, or by any other method insuring equality among stockholders.
2. Redemption may be effected by the corporation's purchasing its own shares either at a discount or at par value. The corporation shall destroy the shares so obtained.
3. The corporations' bylaws may also provide for granting actions de jouyssance (reimbursed shares) to the holders of the shares redeemed in the manner described in Paragraph (1) hereof. Nevertheless, a certain percentage of the annual net profits must be allocated for distribution to the holders of unredeemed shares by priority over the holders of actions de jonissance.

4. Upon the dissolution of the corporation, the holders of unredeemed shares shall have priority in receiving the par value of their shares out of the corporation's assets.

Article (112):

1. The corporation may purchase or mortgage its own shares in accordance to controls set by the competent authority, and the shares purchased by the corporation shall not have any votes in the deliberation of General Assemblies.
2. The shares may be mortgaged in accordance with the controls specified by the competent authority. The mortgaging creditor shall receive the profits and use the rights attached to shares, unless agreed otherwise in the mortgage contract. Nevertheless, the mortgaging creditor may not attend the General Assembly meetings or vote thereat.

Article (113):

1. A shareholder shall exercise the right of voting at General or Special Assembly meetings in accordance with the provisions of the corporation's bylaws. Any stockholder entitled to attend General Assembly meetings shall have at least one vote.
2. The corporation's bylaws may prescribe a maximum for the number of votes vested in the holder of several shares.

Article (114):

An extraordinary General Assembly of a corporation, by virtue of a text provided in the corporation's bylaws and in accordance to the principles set by the competent authority, may resolve to issue or purchase preferred shares of stock, or to convert common shares to preferred shares of stock, or convert preferred shares of stock to common shares. But the preferred shares shall not entitle its holders the right to vote at the General Assembly of shareholders. Such preferred shares entitle their holders the right to acquire a higher percentage, than common shares holders, of the net profit of the corporation after setting aside the statutory reserve.

Article (115):

In case of preferred shares, no new shares with prior preference to these may be issued except with the consent of a special General Assembly, formed, in accordance with Article (89) of these Regulations, of the holders of the preferred shares who would be injured by such issue, and with the consent of a General Assembly representing all classes of shareholders, unless the corporation's bylaws provide otherwise. This rule shall also apply upon alteration or cancellation of the priorities established in favor of preferred shares in the bylaws of the corporation.

Article (116):

1. In case of non-distribution of profits in any fiscal year, no profits pertaining to subsequent years may be distributed except after payment of the percentage referred to in Article (14) of these Regulations to the holders of preferred shares for such year.
2. If the corporation fails to pay such percentage of the profits, in accordance with Article (14) of these Regulations, for three consecutive years, the special meeting of the holders of such shares, convened pursuant to the provisions of Article (89), may decide that they either attend the General Assemblies of the corporation, participate in the voting, or appoint their representatives at the board of directors in proportion to the value of their shares in the corporation's capital, until the corporation is able to pay all the priority profits designated for the holders of such shares for the previous years.

Article (117):

1. A shareholder is obligated to pay the value of his/her share on the dates set for such payment; and if such shareholder defaults in payment of a call when it becomes due, the Board of Directors may, after giving him notice by the means provided for in the corporation's bylaws or by registered letter, sell the share at a public auction – as the case may be – in accordance with the controls set by the competent authority.
2. The corporation shall recover from the proceeds of the sale such amounts are due to it and shall refund the balance to the stockholder. If the

proceeds of the sale fall short of the due amounts, the corporation shall have a claim on the entire fortune of the shareholder for the unpaid balance.

3. A defaulting shareholder may, up to date the fixed for the public auction, pay the amount due from him plus all the expenses incurred by the corporation in this respect.
4. The corporation shall cancel the share so sold and issue the purchaser a new share bearing the serial number of the cancelled share, and make a notation in this effect in the stock register with indication to the new holder's name.

Article (118):

The corporation may not require any shareholder to pay sums in excess of the amount to which he/she has committed himself/herself upon the issue of his/her share; even if the corporation's bylaws provide otherwise. Nor may a stockholder recover his interest in the capital of the company. The corporation may not relieve any shareholder from his/her liability for the unpaid balance of the value of his/her share. Nor may this liability be offset against any rights due to the shareholder from the corporation's rights.

Article (119):

In case of lost or damaged share certificate, the holder may request from the corporation to issue a new certificate in lieu of such lost or damaged certificate. The holder must publish the serial number of the lost or damaged certificate in a daily newspaper, and unless any objection made to the corporation in this respect within thirty days from the date of publication, the corporation shall issue a new certificate indicating that it is in lieu of the lost or damaged one. Such in lieu certificate shall carry equal rights and obligations attached to the lost or damaged certificate.

Article (124):

1. Any party objects to the issuance of such in lieu certificate shall institute a summary action before the competent judicial authority within fifteen days from the date of submitting his/her objection; otherwise such objection shall be regarded as non-existent.
2. The corporation must deliver the in lieu certificated issued as replacement of a lost or damaged one to the one entitled to its right as soon as the period referred to in Paragraph (1) hereof has elapsed and no action is instituted, or when a decisive verdict is issued considering the objection as invalid.

Article (121):

1. The corporation must abide by the requirements of the provisions of the Islamic Shari'ah when issuing and negotiating bonds.

Article (122):

1. A corporation may, in accordance with the regulations of the Financial Market, negotiable bonds or financial instruments.
2. The corporation may not issue debt bonds or financial instruments that are convertible to shares except with a resolution made by the extraordinary General Assembly determining the number of shares that may be issued against such bonds or instruments, either these bonds or instruments are issued at the same time or through series of bonds or through one or more plans for issuing such bonds and instruments. The Board of Directors shall , without the need for a new approval from the General Assembly, and upon the end of the specified conversion period given for bonds and instruments holders, issue new shares against such bonds and instruments whose holders claim to be converted. The Board shall take any necessary procedures to amend the corporation's bylaws in respect to the number of issued shares and capital.

3. The Board of Directors must announce the completion of the procedures for any increase in capital in the same manner prescribed in these Regulation for announcing the resolutions of the extraordinary General Assembly.

Article (123):

Subject to the provisions of Article (122) of these Regulations, the corporation may convert debt bonds or financial instruments to shares in accordance with the regulation of the Financial Market. In all cases, such bonds and instruments may not be converted to shares if:

a. If the conditions providing for issuing debt bonds and financial instruments do not allow an increase in the capital as a result of converting these bonds and securities to shares.
b. If the bondholder or the holder of financial instrument refuses such conversion.

Article (124):

any interested party may request from the competent judicial authority to nullify the act that violated Articles (122) and (123) of these Regulations, in addition to compensating the holders of debt bonds or financial instruments for the damages they incurred.

Article (125):

The resolutions adopted by the General Assemblies shall apply to the holders of debt bonds and financial instruments. Nevertheless, the said General Assemblies may not amend their prescribed rights except with these holders' agreement expressed at a special general meeting that shall be convened in accordance with Article (89) of these regulations.

Chapter 6: Finances of Corporations

Part 1: Corporation Accounts

Article (126):

1. The corporation's fiscal year shall be twelve months; as an exception, the first fiscal year shall be not less than six months and no more than eighteen months, that shall start from the date of registration with the Commercial Register.
2. At the end of every fiscal year, the Board of Directors shall prepare the financial statements of the corporation, and a report on its operations and financial position for the expired financial year, setting out the proposed method for the allocation of net profits. The board shall put the said documents at the disposal of the auditor at least fifty-four days prior in the date set for the general Assembly.
3. The documents referred to in Paragraph (2) hereof must be signed by the chairman, executive director and financial manager of the corporation, and copy of which must be deposited at the head office of the corporation and placed at the disposal of shareholders at least ten days prior to the date specified for hold the General Assembly meeting.
4. If the corporation's financial statements, Board's report and auditor's report have not been published in a daily newspaper distributed in the locality of the corporation's head of office, the chairman must provide the shareholders with such documents and must send a copy of which to the Ministry, and send a copy to the Authority if the corporation is not listed on the Financial Market, at least fifteen days prior the date specified for holding the General Assembly.

Article (127)

In classifying the accounts in the financial statements in every fiscal year, the classification used in the previous years shall be observed, and the bases of evaluation of assets and liabilities shall remain unchanged, without prejudice to the accepted accounting standards.

Article (128):

The Board of Directors, within thirty days from the date of the approval of the General Assembly of the financial statements, Board's report, auditor's report and the Review committee's report, shall deposit copies of the mentioned documents with the Ministry, and with the Authority if the corporation is listed on the Capital Market.

Article (129):

1. With due regard to the provisions of other relevant regulations, 10% of the net profits must be set aside to build up the statutory reserve of the corporation. The ordinary General Assembly may resolve to stop such deduction when the said reserve amounts to (30%) of the capital. The corporation's bylaws may also provide for the setting aside of a certain percentage of the net profits to build up a contractual reserve which shall be used solely for such purposes as may be specified in the said bylaws.
2. The ordinary General Assembly may, in determining the dividend out of the net profits, resolve to create other reserves in such an amount as to insure continued prosperity for the corporation or the payment of as steady dividends as possible to shareholders. Such General Assembly may also withhold certain amounts from the net profits for the creation of social organizations for the corporation's employees and workmen, or for supporting such organizations as may already be in existence.

Article (130):

1. The statutory reserve shall be used for meeting the corporation's losses or for increasing its capital. If the said reserve exceeds the percentage of 30% of the company's capital, the ordinary General Assembly may resolve to distribute such excess as dividends among the shareholders in the years during which the corporation fails to realize sufficient net profits for distribution of the dividends prescribed in the corporation's bylaws.
2. The contractual reserve may be used only by resolution of an extraordinary General Assembly. If such reserve is not earmarked for a

specific purpose, the ordinary General Assembly may upon the recommendation of the Board of Directors resolve to spend it in any way beneficial to the corporation.

3. The ordinary General Assembly may use the withheld profits and distributable contractual reserves to pay the remaining sum of the value of the share or part of it, without prejudice to the equity between shareholders classes.

Article (131):

1. The corporation's bylaws shall specify the percentage to be distributed among shareholders out of the net profits, after deduction of the statutory and the contractual reserves.
2. A shareholder shall be entitled to his share in the profits as soon as the General Assembly adopts a resolution on the allocation of profits; such resolution shall show the payable date and distribution date. Shareholders registered in the shareholders register shall be eligible to profits at the end of the day specified for eligibility. The competent authority shall specify the period during which the Board of Directors must implement the ordinary General Assembly's resolution in respect of distributing profits among shareholders.

Part 2: The Auditor

Article (132):

Shareholders shall exercise control over the corporations accounts, in accordance with the provisions provided in these Regulations and the corporation's bylaws.

Article (133):

1. The ordinary General Assembly shall appoint one or more auditors from among those licensed to operate in the Kingdom and shall specify their remuneration and term of office. It may re-appoint auditors provided that the total appointment period shall not exceed the term of five consecutive years, and may be reappointed again after the elapse of two year for the end date of the prior appointment. The ordinary General Assembly may also or at any time remove them, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.
2. No person may hold the office of auditors and , at the same time, take part in organizing the corporation, be a director thereof, or perform any technical or administrative work for the corporation, even in an advisory capacity. Nor may an auditor be a partner or an employee of, or be related within four degrees of consanguinity to any founder or director of the corporation. Any act violating the provisions of this paragraph shall be null and void, and the violator shall be obligated to remit to the Ministry of Finance whatever he may have received from the corporation.

Article (134):

The auditor shall at any time have access to the corporation's books, records and other documents. He/she shall be entitled to request such particulars and clarifications as he/she may deem it necessary to obtain, and to verify the assets and liabilities of the corporation. Moreover, The chairman of the Board of

Directors must enable the auditor to perform his/her duty; If the auditor encounters any difficulty in this respect, he/she shall state that fact in a report to be submitted to the Board of Directors. If the Board fails to facilitate his/her task, the auditor must call a regular general meeting to consider the matter.

Article (135):

The auditor must submit a report to the annual ordinary General Assembly, prepared in accordance with the accepted auditing principles, setting forth the attitude of the corporation's management in enabling him/her to obtain the particulars and clarifications requested by him/her, any violations of the provisions of these Regulations or of the corporation's bylaws he may have discovered, and the extent in his/her opinion to which the corporation's financial statements are in conformity with reality. The auditor's report shall be read at the General Assembly. If the General Assembly resolves to approve the Board of Directors' report without hearing the auditor's report, its resolution shall be considered null and void.

Article (136):

1. The auditor may not disclose to shareholders outside a General Assembly, or to third parties, such secrets of the corporation as may have come to his/her knowledge by reason of the performance of his/her work; otherwise, he/she must be removed and shall be held liable for damages.
2. The auditor shall be liable for damages sustained by the corporation, the shareholders, or third parties as a result of mistakes he/she makes in the performances of his/her duties. If a mistake is attributable in more than one auditor, they shall be jointly liable therefor.

Chapter 7: Alteration of the Corporation's Capital

Part 1: Increase of Capital

Article (137):

1. An extraordinary General Assembly may resolve to increase the corporation's capital one or more times, provided the initial capital has been paid up in full. However, if the unpaid amount of the capital refers to shares issued against converting debt bonds or financial instruments to shares while the period specified for such conversion has not expired yet, it shall not be provided that the capital must be paid up in full.
2. In all cases, the extraordinary General Assembly may allot the issued shares when increasing the capital or allot part of them for employees of the corporation or all or some of its subsidiaries. The shareholders may not practice the pre-emptive right for acquiring the shares allotted for the employees.

Article (138):

Capital shall be increased in one of the following ways:

i. Issue of new shares against contributions in kind.
ii. Issue of new shares against debts of a specific amount due and payable by the corporation, provided that it shall be in the value determined by the extraordinary General Assembly, after consulting an expert or certified evaluator. The Board of Directors and the auditor must prepare a statement on the origin and amount of such debts. The statements shall be signed and certified by the directors and the auditor.
iii. Issue of new shares in the amount of the surplus reserve which an extraordinary General Assembly resolves to capitalize. The new shares must be issued in the same form and under the same terms as the outstanding shares. They shall be distributed free to shareholders in proportion to the number of the original shares owned by each.
iv. Issue of new shares in lieu of debt bonds or financial instruments. bonds.

Article (139):

The shareholders shall have – upon the adoption of a resolution by the General Assembly to increase the capital - a pre-emptive right to subscribe for new cash shares which are issued for cash contributions; such shareholders shall be notified of their pre-emptive right, if any, by publishing it in a daily newspaper or by notifying them of this resolution and its start and expiry dates by registered mail.

Article (140):

The extraordinary General Assembly may, if so provided in the corporation's bylaws, cancel the pre-emptive right of shareholders to subscribe in any capital increase for in cash contributions, or granting this pre-emptive right to other persons than shareholders in the circumstances it deems in the interest of the corporation.

Article (140):

A shareholder may sell or assign the pre-emptive right with the period from the date of the General Assembly's resolution to increase the capital and until the last day for subscribing in the new shares attached to such rights, in accordance with the controls specified by the competent authority.

Article (142):

Subject to the Article (140) of these Regulations, the new shares shall be allotted to the subscribing holders of pre-emptive rights in proportion to the total pre-emptive rights held by them , provided that the number of shares allotted to them shall not exceed the number of new shares or which they have requested to subscribe for. The remaining new shares shall be allotted to the original shareholders who have subscribed for more than their share in

proportion to the number of original shares held by each, provided that their total allotment shall not exceed the number of new shares for which they have subscribed as a result of the increase in capital. The remainder of the new shares shall be offered for public subscription, unless the extraordinary General Assembly or the regulations of Capital Market Authority provide otherwise.

Article (143):

Shares representing contributions in kind that are issued on the occasion of a capital increase shall be governed by the provisions for the evaluation of contributions in kind made at the time of organization of the corporation, and the ordinary General Assembly shall act in place of the constituent General Assembly in this respect.

Part 2: Reduction of Capital

Article (144):

An extraordinary general meeting may resolve to reduce the corporation's capital if it exceeds the corporation's needs or if the corporation incurs losses. In the latter case only, the capital may be reduced below the minimum specified in Article (54). The resolution for reduction shall be adopted only after a reading of the auditor’s report setting forth the reasons necessitating the reduction, the liabilities of the corporation, and the effect of the reduction on these liabilities.

Article (154):

If the reduction of capital is due to an excess in capital over the corporation's need, the creditors must be invited to express their objections within sixty days from the date of publication of the resolution for reduction in a daily newspaper distributed in the locality of the head office of the corporation. If any creditor objects to such reduction and submits to the company, within the said period,

the documents substantiating his/her claim, the corporation must pay off his/her debt if it is due and payable or submit adequate security for its payment if it is payable at a future date.

Article (146):

Reduction of capital may be effected in one of the following ways:

a. Cancelling a number of shares equivalent to the amount of the proposed reduction.
b. Purchasing a number of shares equivalent to the amount of the proposed reduction, and then cancelling them.

Article (147):

If reduction of capital is effected by the cancellation of a number of shares, equality must be observed among shareholders. Holders of the shares to be cancelled must surrender them to the corporation within the period specified by it; otherwise, the corporation shall have the right to consider them cancelled.

Article (148):

1. If the reduction of capital is to be effected by way of purchase and cancellation of a number of the corporation's shares, the shareholders must be requested to offer their shares for sale. The request shall be published in a daily newspaper distributed in the locality of the corporation's head office. However, if all the corporation's shares are registered the shareholders may be notified by registered letter of the corporation's desire to purchase the shares.
2. If the number of shares offered for sale exceeds that which the corporation has resolved to purchase, the offers for sale must be reduced proportionately to such excess.

3. The purchase price of unlisted shares shall be determined in the fair price, while listed shares are purchased in accordance with the regulations of the Capital Market Authority.

Chapter 8: Dissolution of a Corporation

Article (149):

1. If the losses of a corporation total half of its paid-in capital at any time during the fiscal year, any official of the corporation and or the auditor, as may have come to his/her knowledge, notify the chairman thereof, and the chairman immediately notify the Board which must – within fifteen days of its knowledge – call an extraordinary General Assembly meeting within forty five days from the date of knowledge of such losses; to consider whether to increase or decrease the capital – in accordance to the provisions of these Regulations - to the extent required for reducing losses below half of the paid-in capital or whether to dissolve the corporation before the expiry of the term specified in its bylaws.
2. A corporation shall be considered dissolved by virtue of these Regulations if the extraordinary General Assembly has not convened within the term specified in Paragraph (1) hereof, or if it convened but failed to make a resolution on the matter, or if it decides to increase the capital in accordance with the conditions prescribed in this Article but the entire capital has not been subscribed for within ninety days from the extraordinary General Assembly's resolution for capital increase.

Part 6: Limited Partnership

Chapter 1: General Provisions

Article (154):

1. A limited liability partnership is a partnership in which the number of partners shall not exceed fifty, and its liability is independent of the financial liability of each partner thereof. Thus, the limited partnership is solely responsible for its incurred liabilities and obligations and its founder or partner thereof shall not be responsible for such liabilities and obligations.
2. If the number of partners exceeds the number specified in Paragraph (1) hereof, the limited partnership must then converted to a general partnership within no later than a year. If this period has elapsed without such conversion, the limited partnership shall be dissolved by virtue of these Regulations, unless the increase in number of partners arising from inheritance or a testament.

Article (152):

1. The name of a limited liability partnership may be derived from its object. The name of a limited liability partnership may not include the name of a natural person, unless the company's object is the utilization of a patent registered in the name of such person, or unless the company acquires a commercial firm and adopts the name of the latter as its own name, or unless such name used to be a name of a company that was converted to a limited liability partnership and included a name of a natural person. If a limited liability partnership is owned by one person only, its name must include an indication implying that it is a limited liability partnership by one person; and this entails ignoring Paragraph (2) hereof.
2. The directors of a limited liability partnership shall be personally and jointly responsible the partnership's liabilities if the phrase "Limited

Liability" is not added to its name or if they fail to declare the amount of capital.

3. A limited liability partnership may not have for object the conduct of insurance, savings, or banking operations or investing for the account of third parties.
4. A limited liability partnership may not resort to public subscription in raising or increasing its capital, or for obtaining a loan, and may not issue negotiable bonds.

Article (154):

1. Notwithstanding the provisions of Article (2), a limited liability partnership may be incorporated by one person, and that all its shares may be owned by one person. In this case, the liability of such person is limited to the sums he/she has allotted to compose the capital, and such person shall have the powers prescribed for the chairman, directors and the General Assembly as stated in this Part. Such person may also appoint one director or more directors who shall be the partnership's representative before the courts, arbitrations and their parties, and shall be responsible for its management before the partner who owns the partnership's shares.
2. In all cases, a natural person may not organize or own more than one limited liability partnership composed of one person, and the limited liability partnership owned by one person (natural or legal personality) to organize or own another limited liability partnership composed of one person.

Article (155):

The person owning the limited liability partnership shall be responsible of his/her own fortune for liabilities of the partnership to third parties whom he/she dealt with in the name of the partnership, as in the following cases:

a. If – in mal fide – he/she has dissolved his/her partnership, or ceased its activity before the expiry of its term or before realizing the object it was organized for.

b. If he/she has not separated between the partnership's operations and his/her own private operations.
c. If he/she has performed operations for the account of the partnership before acquiring its legal personality.

Chapter 2: Organization of Limited Liability Partnership

Article (156):

A limited liability partnership shall be formed by virtue of a memorandum of association to be signed by all the partners, and shall contain such particulars as the following:

a. The kind, name, object, and head office of the partnership.
b. The partners' names, residence addresses, occupations, and nationalities.
c. The names of the members of the board of controllers, if any.
d. The amount of the capital and the amount of contributions in cash and in kind, as well as a detailed description of the contributions in kind, their value, and the names of contributors in kind .
e. A statement by the partners that all the capital shares have been allotted and paid up in full.
f. The method of distribution of profits.
g. The dates of the commencement and expiration of the partnership
h. The form of the notices to be served by the partnership on the partners.

Article (157):

1. With due regard to Article (14), the partnership shall be considered duly formed only after all the contributions in cash and in kind have been allotted to all the partners and paid up in full. Contributions on cash shall be deposited in one of the designated banks. Such bank shall remit them only to the managers of the partnership after submission of the documents evidencing that the publication formalities and requirement of registration with the Commercial Register have been fulfilled.
2. The provisions prescribed for evaluating the in kind contributions for general partnerships shall apply to evaluation of contributions in kind in limited liability partnership. Nevertheless, he partners shall be jointly responsible, to the extent of their entire fortunes, to third parties for the correct evaluation of the contributions in kind. An action in liability shall in this case be barred after the lapse of five years from the date of completion of the publication formalities and registration with the

Commercial Register, in accordance with Article (158) of these Regulations.

Article (158):

The managers of the partnership must, within thirty days of the formation of the partnership, publish its memorandum of association on the official website of the Ministry. Additionally, the managers must, within the same period, file an application for the registration of the partnership in the Commercial Register in accordance with the provisions of the Regulations for the Commercial Register. Said provisions shall apply to any alteration made in the memorandum of association.

Article One Hundred Fifty Nine:

For each stakeholder, the limited liability Company established in violation of the provisions of Articles (One Hundred Fifty Three), (One Hundred Fifty Four), (One Hundred Fifty Six) and (One Hundred Fifty Seven) of the Articles shall be deemed invalid. However, the shareholders shall not argue with third parties with such invalidity. In case this invalidity is determined thereupon, the shareholders who caused it shall be jointly liable in the face of the other shareholders and the third parties for compensating for the damage resulting therefrom.

Chapter III: Capital and Shares

Article One Hundred and Sixty:

The capital of the Company at its establishment shall be sufficient to achieve its purpose, with the amount determined by the shareholders in the Company's Memorandum of Association, and shall be divided into shares of equal value, where each share is indivisible and non-negotiable. In case of shares owned jointly by multiple persons, the Company may withhold the use of the related rights till the owners select one from among them to act like a sole owner in dealing with the Company. For this purpose, the Company may fix a date for such joint owners to make their choice, after which the Company shall be entitled to sell such shares favor their owners. In this case, the shares shall be offered to the other shareholders and then to third parties, subject to Article One Hundred Sixty One of the Articles, unless otherwise is provided for in the Memorandum of Association.

Article One Hundred Sixty One:

1. The shareholder may give up his shareholding to any other shareholder or to third parties according to the terms of the Company's Memorandum of Association. However, in case a shareholder desires to transfer his shares with or without compensation to a non-shareholder, he shall have to notify the other shareholders, through the Manger of the Company, with the terms of such transfer. Thereupon, each shareholder may ask for redeeming the concerned share(s) as per its fair value share within thirty days from the date of the notification, unless the Company's Memorandum of Association provides for another method of evaluation or another period. If that right of redemption is used by more than one

shareholder, the concerned share(s) shall be divided among them proportionally to the share of each of them in the capital. The right of redemption, as given in this article, is not applicable to the transfer of shareholdings by inheritance, will or under the rule of the competent judicial authority.

2. If the period specified for exercising the right of redemption without being used by any of the shareholders, the shareholder shall be entitled to transfer the share(s) to third parties.

Article One Hundred Sixty Two:

The Company shall prepare a special register with the names of the shareholders and the number of shares owned by each of them, in addition to the actions attached to these shares. No transfer of shares shall be valid against the Company or third parties unless after recording the cause thereof in the mentioned register. The Company shall inform the Ministry to record the same in the Company's register.

Article One Hundred Sixty Three:

The shares grant equal rights in net profits and the excess upon liquidation, unless otherwise is provided for in the Company's Memorandum of Association.

Chapter IV: Management

Article One Hundred Sixty Four:

1. The Company shall be run by one or more directors, whether shareholders or others. The shareholders shall appoint the director(s) in the Company's Memorandum of Association or in a separate contract for a specified or unspecified term. A Board of Directors may be established, through a resolution by the shareholders, in case of several directors.
2. The Company's Memorandum of Association, or a resolution by the shareholders, shall determine the modus operandi for the Board of Directors and the majority required for it decisions. The Company is committed to the work of the directors within the purpose of the Company.

Article One Hundred Sixty Five:

1. Shareholders may isolate the director(s), whether appointed by the Company's Memorandum of Association or by a separate contract, without prejudice to their right to compensation if the insulation is for an illegal reason or at the wrong time
2. The directors are jointly liable for compensation for any damage to the Company, the shareholders or third parties, caused by their violating the provisions stipulated in the Articles or the Memorandum of Association or due to any mistakes they commit in their work, and any provision that stipulates to the contrary is void.
3. The shareholders' absolving the Directors shall not preclude raising a liability lawsuit.
4. Except for the cases of fraud and forgery, a liability lawsuit cannot be raised, in all cases, after five years from the end of the fiscal year in which the harmful act occurred or three years from terminating the service of the concerned director at the Company, whichever comes later.

Article One Hundred Sixty Six:

The limited liability company shall have one or more auditors, according to the related provisions in the joint stock company.

Article One Hundred Sixty Seven:

1. The limited liability company shall have a General Assembly consisting of all shareholders.
2. The General Assembly shall be convened by a call from the director(s) in accordance with the conditions specified in the Company's memorandum of association, provided convening once, at least, during the four months next to the end of the fiscal year of the Company.
3. The General Assembly may be called for at all time upon a request by the director(s), the Supervisory Board, the Auditor or a number of shareholders representing half of the capital at least.
4. Minutes of the meeting shall be made summarizing the deliberations at the General Assembly. The minutes, the resolutions of the General Assembly or the decisions of the shareholders shall be recorded in a special register prepared by the Company for this purpose.

Article One Hundred Sixty Eight:

1. The resolutions of the Company shall be issued in the General Assembly. However, in the company where the number of shareholders is not more than twenty, the shareholders may express their viewpoints separately. In this case, the director of the company sends a registered letter to each shareholder to vote on the proposed decisions in writing.
2. In all cases, decisions shall not be valid unless approved by a number of shareholders representing more than half of the capital, at least, unless the Company's Memorandum of Association requires a larger majority.
3. If the majority required in the above paragraph (2) of this article is not available in the deliberation or consultation, the shareholders must be invited to the meeting by registered letters, unless the Company's Memorandum of Association provides otherwise.
4. The decisions at the meeting referred to in paragraph (3) of this article shall be issued with the approval of the majority of shares represented in the meeting, regardless the percentage they represent in the capital, unless the Company's Memorandum of Association provides otherwise.
5. The Company's Memorandum of Association may designate any other method to calling for any meeting or for reporting decisions.

Article One Hundred Sixty Nine:

The agenda for the General Assembly for shareholders at its annual meeting on the following items:

A. Hearing the report of the Company's directors on the activity of the Company and its financial position during the financial year, the auditor's report and the report of the Supervisory Board, if any.
B. Discussing and ratifying the financial statements.
C. Determining the profit percentage distributed to shareholders.
D. Appointing the Company's directors and the members of the Supervisory Board, if any, and determining their remuneration.
E. Appointing the auditor and determining his fees.
F. Other matters related to the competence of the Assembly subject to the rules of the Company or its Memorandum of Association.

Article One Hundred Seventy:

1. The General Assembly of the shareholders shall not deliberate issues other than those included in the agenda, unless facts emerged during the meeting that require deliberation.

2. In case any of the shareholders requested the inclusion of a particular issue on the agenda, the Company's directors shall respond to such request, otherwise that shareholder shall be entitled to complain to the Assembly.

Article One Hundred Seventy One:

Each shareholder shall be entitled to discuss the topics on the agenda of the General Assembly of the shareholders and the Company's directors are obliged to answer the questions made by the shareholders. If any of the shareholders felt that the answer to his question is not sufficient, he may resort to the Assembly.

Article One Hundred Seventy Twenty:

1. If the number of shareholders has exceeded twenty shareholders, the Company's Memorandum of Association shall stipulate the appointment of a Supervisory Board for a certain term, to consist of three shareholders, at least. If such increase occurred after the establishment of the Company, the General Assembly for shareholders shall undertake such appointment at earliest possible.
2. The General Assembly may re-appoint the members of the Supervisory Board after the expiration of their membership term, or appoint other shareholders. It may also dismiss them at any time for any acceptable reason. In all cases, the directors of the Company shall not vote in electing or removing the members of the Supervisory Board.
3. The Supervisory Board shall oversee the Company's business and express opinions on the matters submitted by the Company's director(s) and in the actions that require obtaining a prior authorization from the Supervisory Board.
4. The Supervisory Board shall submit to the General Assembly of the shareholders, at the end of each fiscal year, a report with the results of monitoring the business of the Company.
5. The members of the Supervisory Board shall not be accountable for the work of the director(s) and their results, unless they become aware of any occurred mistakes and neglected to inform the General Assembly of its shareholders.

Article One Hundred Seventy Three:

1. Each shareholder has the right to participate in the deliberations and in voting with a number of votes equal to the number of the owned shares. Otherwise shall not be agreed upon.
2. Each shareholder may appoint, in writing, another shareholder to attend in the meetings of the shareholders and to vote thereof, unless otherwise is provided for in the Memorandum of Association.
3. The non-managing shareholder in the companies that do not have a Supervisory Board may advise the director(s) and he, or his authorized representative, may ask to access the Company's work at its HQ and examine its books and documents, during the fifteen days prior to the date fixed for the presenting the annual final accounts of the shareholders, and in contradicting provision shall be void.
4. Whoever obtains any information under this article shall maintain its confidentiality and shall not use it for any purpose that may harm the Company or any of its shareholders and shall be committed to compensation for any damage arising from failure to commit to such confidentiality.

Article One Hundred Seventy Four:

1. With the consent of all shareholders, the nationality of the Company may be changed and its capital may be increased by raising the nominal value of the shares carried by the shareholders or through the issuance of new shares, with obliging all shareholders to pay the value of the capital increase as proportionate to the shareholding of each.
2. The Company's Memorandum of Association may be amended in matters other than the set forth in paragraph (1) of this article, with the approval of the majority of shareholders representing at least three quarters of the capital, at least, unless otherwise is provided for in the Memorandum of Association.

Article One Hundred Seventy Five:

1. For each fiscal year, the Company's directors shall prepare the financial statements of the Company and a report on its activities and financial position, along with their suggestions regarding the distribution of profits, within three months from the end of the fiscal year.
2. The directors shall send to the Ministry and to each shareholder a copy of the documents referred to in paragraph (1) of this article and a copy of the report issued by the Supervisory Board, if any, along with a copy of the

auditor's report, within one month of the date of preparing the mentioned documents. Each shareholder may request the directors to hold the General Assembly to deliberate the documents referred to in this article.

Article One Hundred Seventy Six:

The limited liability company shall spare in each year a percentage of (10%), at least, from its net profit to create a statutory reserve. The shareholders may decide to stop this process once that reserve is 30% of the Company's capital.

Article One Hundred Seventy Seven:

The General Assembly of the shareholders may decide to reduce the Company's capital if exceeded its need or if its suffered losses are less than half of its capital, according to the following:

A. Creditors of the Company shall be invited within sixty days from the date of publishing the reduction decision in a daily newspaper distributed in the area where the Company's HQ exists to express their objections to that reduction. In case any of the creditors objected to the reduction and presented his documents in the specified time, the Company shall pay its debt either immediately if sue or shall provide sufficient guarantee to meet such debt if later.
B. The shareholders shall submit to the Ministry a draft to amend the Memorandum of Association of the Company, including its capital reduction, to be accompanied by a detailed statement, authenticated by the auditor of the Company, including creditors' names and addresses, whoever of the them objected to reducing the capital, whoever has been paid to fulfill its debt and whoever received a guarantee to meet its debt later. All shall be submitted with the shareholders' joint responsibility towards the emerging debts that are not included in said statement.
C. If the Company is not in debt, the shareholders may submit to the Ministry an acknowledgement authenticated by the auditor, expressing their joint responsibility of any debts that may emerge, in which case they shall be exempted from creditors' call and reduction procedures shall be completed.

Article One Hundred Seventy Eight:

1. Without prejudice to the rights of bona fide third parties, any decision issued by the General Assembly in violation of the provisions of the Company's Articles or Memorandum of Association shall be void and invalid. However, such invalidity can be requested only by the shareholders who objected in writing to that decision or that who were unable to object after they become aware of such decision. Consequent to that invalidity, that decision shall be non-existent to all shareholders.
2. Claim for invalidity shall not be raised after the elapse of one year from the date of the decision referred to in paragraph (1) of this article. -

Chapter V: Termination

Article One Hundred Seventy Nine:

The limited liability company shall not be terminated with the death, bankruptcy, insolvency, withdrawal, or confiscating the property of any shareholder, unless the Company's Memorandum of Association provides otherwise.

Article One Hundred Eighty:

1. Unless the Company's Memorandum of Association provides otherwise, the term of the Company may be extended for another term before its expiration, through a decision to be issued by the General Assembly of any number of shareholders carrying half of the shares representing the capital or by the majority of shareholders.
2. If a decision is not issued to extend the term of the Company and the Company continued to perform its work, the contract shall be extended for a similar term with the same terms contained in the Memorandum of Association.
3. The shareholder who does not wish to continue in the Company may withdraw and his shares shall be evaluated in accordance with the provisions of article One Hundred Sixty One of the Articles. The

extension shall be implemented only after selling that shareholder's shares to the other shareholders or to third parties, as appropriate, and paying him their price, unless otherwise is agreed upon between the withdrawing shareholder and the other shareholders.

4. Third parties interested in not extending the term of the Company may object thereof and insist on its termination.

Article One Hundred Eighty One:

1. In case the losses of the limited liability company amounted to half of its capital, the directors of the company shall record such fact in the Commercial Register and shall invite the shareholders to meet within ninety days from the date of their knowing of such loss to consider the continuation or liquidation of the Company.
2. Shareholders' decision, whether to continue of liquidate the Company, shall be published by the means provided for in article (One Hundred Fifty Eight) of the Articles.
3. The Company shall be deemed terminated by operation of law if the directors of the Company neglected to invite shareholders or the shareholders were unable to issue a decision to continue of liquidate the Company.

Part VII: The Holding Company

Article One Hundred Eighty Two:

1. The holding company is a joint stock or a limited liability company that aims to control other joint-stock or limited liability companies that are deemed subsidiary thereof, through possessing more than half of the capital of those companies or controlling the formation of their Board of Directors.
2. The name chosen for the Company shall be accompanies, in addition to its type, with the word (Holding).

Article One Hundred Eighty Three:

The purposes of the Holding Company are as follows:

A. Managing the subsidiary companies or participating in managing the other companies in which it holds shares and providing them with the necessary support.
B. Investing its funds in shares and other securities.
C. Possessing the real estates and movables necessary to practicing its operations.
D. Providing loans, guarantees and financing to its subsidiaries.
E. Possessing the rights of industrial property; patents, industrial and commercial trademarks, franchise rights and other intangible rights, in addition to exploiting and leasing them to the subsidiaries or other entities.
F. And other legitimate purpose that matches the nature of this Company.

Article One Hundred Eighty Four:

The subsidiary shall not own any shares in the holding Company. Any act that would transfer the ownership of the shares from the holding company to the subsidiary is null and void.

Article one hundred and eighty five:

At the end of each year, the holding company should prepare consolidated financial statements that include it and its affiliated companies in accordance to the known accountant standards.

Article one hundred and eighty six:

The holding company shall be subject to the provisions stipulated herein and provisions stipulated in the charter that do not contradict with them in accordance with the type of the company.

Chapter Eight: transform and merge of companies

First chapter: transforming companies

Article one hundred and eighty seven:

1- Company may be transformed into another type of companies by virtue of a decision issued in accordance to the stipulated status to amend the memorandum of association or its articles of association provided the fulfillment of terms of establishment and registration in the commercial registry applied for the chosen type. In case the company transformed to a joint- stock company, provision of article (one hundred and seven) of the charter shall be applied, provided that banning period should start as of the date of approval on transforming the company. However, if company transformation was accompanied with an increase in its capital through underwriting, banning of underwrite shares shall not be applied.
2- Partners or shareholders who objected the transformation decision may demand separation from the company.
3- Without any violation of the terms of establishment and registration in the commercial registry stipulated for joint- stock company, Joint –Venture Company, limited Partnership Company, Limited Liability Company shall be transformed to joint – stock company if partners who own more than half of the capital demanded that unless otherwise stipulated a less percentage. All shares to be transformed should be owned by relative to the fourth degree, any term stipulates otherwise what stipulated herein shall be null.

Article one hundred and eighty eight:

Company transformation shall not lead to emerge of a new artificial person; the company shall retain all of its rights and liabilities before the previous transformation.

Article one hundred and eighty nine:

Transformation of Joint –Venture Company or limited Partnership Company shall not grant an acquittal to joint partners from liability of the previous company's debts, unless creditors accepted that explicitly or none of them objected the transformation decision within thirty days from the date of notification of it by registered mail.

Second Chapter: Merging Companies

Article one hundred and ninety:

Observing what is stipulated in related charter, company may, even in liquidizing, merge with another company of same type or of a different type.

Article one hundred and ninety one:

1- Merge shall be by joining one or more company to another existing company or by merging two or more company to establish a new one. Merging contract shall stipulate its terms, illustrate how to evaluate the financial liability of the merged company and the numbers of allocations and shares it own in the capital of the merger company or the company resulted from merging.
2- Merging shall be valid only after evaluation of the net assets of both the merged and merging companies if the return of the shares and allocations of the merged company or part of it shares or allocations in the merging company.
3- In all cases, a merging decision should be issued from each participated company, in accordance to the stipulated states to amend the memorandum of association of this company or its articles of association.
4- Partner who own shares or allocations in the merging company and merged company may vote on the decision only in one of the companies.

Article one hundred and ninety two:

All the rights and liabilities of the merged company shall be transferred to the merging company or emerging company after finalizing procedures of merging and registration the company in accordance to the provisions of the charter. Merging company or emerging company shall be considered as a successor of the merged company within the limits of remaining assets unless otherwise stated in the merging contract,

Article one hundred and ninety three:

1- Merging decision shall be effective after thirty days of announcement.
2- Creditors of merging company may, within the said date, object the merging via sending a letter by registered mail to the company. In this

case, merging shall be stopped until creditor waivers their objection or company pay the debt if it was due or provide sufficient guarantee if it was deferred.

Ninth Chapter: foreign companies

Article one hundred and ninety four:

Without any violation of especial agreements concluded between the state and some foreign companies, except the provisions related to establishment incorporates, provisions of charter shall b applied on the following foreign companies:

A- Companies that practice their activity and business inside the kingdom, either via a branch, office, agency or any other form.
B- Companies that take the kingdom as its premises to represent works done outside it and its directions or coordination.

Article one hundred and ninety five:

Foreign companies may not establish branches, agencies or offices inside the kingdom before the issuance of its permit by the General Authority for Investment and the competent authority of regulation and supervision of the kind of activity or business performed by the foreign company inside the kingdom. Moreover, they are permitted to issue or offer securities s to underwriting or sell inside the kingdom only in accordance to the Exchange charter.

Article one hundred and ninety six:

The General Authority for Investment provides the ministry with a copy of the permission it issued and a ratified copy of the memorandum of association or its articles of association.

Article one hundred and ninety seven:

Authorized foreign company is not allowed to commence activity and business before being registered in the commercial registry.

Article one hundred and ninety eight:

Each branch, agency or office of a foreign company should print in Arabic on all of their papers, documents and publications their address in the Kingdom in addition to the full name of the company, its address, its headquarters and its agent's name.

Article one hundred and ninety nine:

Foreign company's branch, agency or office should prepare the financial statements related to its activities inside the Kingdom in accordance to the known accounting standards and the report submitted by the outside auditor. All those documents should be submitted to the ministry within six months from the end of the fiscal year on the activity of that branch, agency or office.

Article two hundred:

The foreign company's branch, agency or bureau inside the kingdom shall be considered as habitat to it concerning its activity and business inside the kingdom. All effective charters shall be applied.

Article two hundred and one:

If the foreign company practiced its activity and business before fulfilling the procedures of its permit and registration in the commercial registry or undertook works that exceed the permitted works, the company and the persons who performed those activities shall jointly hold responsibility.

Article two hundred and two:

If the existence of the foreign company in the Kingdom for undertaking specific works during specific period of time, its registration in the commercial registry shall be temporarily and shall be expired by the end of executing those works. It is shall be degistrated after liquidizing its rights and liabilities in accordance to the provisions of the charter and other applicable charters.

Tenth Chapter: Liquidizing Companies

Article two hundred and three:

1- Immediately after the company is terminated, it should be liquidized, it may maintain the artificial person with the necessary amount for liquidation.
2- The authorities of companies' directors shall be terminated by the liquidation. However, those shall remain managing the company and shall be considered as liquidators until appointment the liquidator.
3- Companies associations shall remain during the liquidation period. Their role shall be limited to practicing their competences that do not contradict with the liquidator's competences.
4- During liquidation period, partner shall have the right to access to company's documents stipulated in charter, memorandum of association or its articles of association.

Article two hundred and four:

Unless the company's memorandum of association or its articles of association stipulated otherwise or partners agreed upon the way to liquidize the company, it shall be liquidated in accordance to provisions stipulated herein.

Article two hundred and five:

1- One or more liquidator shall undertake the task, either from partners or third party.
2- Legal liquidation decision shall be issued by a ruling from the competent judicial authority, volunteering liquidation shall be issued by partners or general assembly, unless partners agreed otherwise referred to clause (3) hereof, hence, judicial entity shall undertake it.
3- Liquidation decision – either voluntary or judicial- should include appointing a liquidator, as well as determining their competences, fees, restrictions on their competences, and necessary duration for liquidation. Liquidator should announce the decision by stipulated means of announcement to amend the memorandum of association or its articles of association.
4- Volunteering liquidation should not exceed five years, and may not be extended more that that without a court order.

Article two hundred and six:

If there is more than one liquidator, they should work together. Their behavior shall be considered valid after they all agree upon, unless their appointment decision or appointment authorities does not stipulate otherwise. They are jointly and severally liable for compensating the damage takes place to the company, partners and otherwise as a result of exceeding their competences or as a result of mistakes they committed.

Article two hundred and seven:

1- Observing the restrictions in the liquidation decision, liquidator represents the company before judicature and third parties. Liquidator shall perform all works required by liquidation process, especially transferring the company's assets into cash, including selling movables and properties by auction or any other way that grants the highest immediate price.
2- Liquidator may not sell company's money in whole or present them as a share in another company, unless with the permission from the appointing authorities.
3- Liquidator may not start new business unless it is necessary to complete previous business.
4- Company should adhere to the liquidator's interior works within their authorities.
5- Liquidator's competences shall be end by the end of the liquidation period, unless it is expanded in accordance to the provisions of the charter.

Article two hundred and eight:

1- Liquidator should pay the company's debts in case of priority, necessary money should set aside to pay either those sums of money were due or there was dispute on them.
2- Debts rising from liquidation have priority over other debts.
3- After paying debts, liquidator should pay partners the value of their shares in the capital, and to distribute the surplus afterwards in accordance with the provisions of the articles of association. In case

contract did not include provisions in that concern, liquidator should distribute the surplice on partners in accordance to their shares in the capital.

4- In case the net company's assets were not enough to fulfill the partners' shares, losses should be distributed among them in accordance to the stipulated percentage in distributing losses.

Article two hundred and nine:

1- Within three months of commencing their job, with the company's auditor – if any- liquidator shall perform an inventory of all the company's assets and liabilities. However, the appointing authority may extend this period if necessary.
2- Company's directors or members of the board of directors should provide liquidator with the required company's books, records, documents, explanations and statements.
3- By the end of each fiscal year, liquidator should prepare financial statements and a report on the liquidation process, the report should include a statement on their remarks and reservations on liquidation as well as the reasons that led to hindering or delaying the liquidation process- if any- and their suggestions to extend the liquidation period. Liquidator should provide the ministry with a copy of those documents and to submit them to partners or the general assembly to agree upon them in accordance to the memorandum of association or its articles of association.
4- At the end of the liquidation process, liquidator should submit a detailed financial report on their work. Liquidation shall be terminated by the appointing authority ratification of that report.
5- Liquidator shall announce the termination of the liquidation process by the stipulated announcement means of the updates of the memorandum of association or its articles of association.

Article two hundred and ten:

Except for cheating and forgery, lawsuit against the liquidator because of the liquidation process or against partners because of the company's business or against directors or members of the board of directors or the company's auditor

because of their jobs after five years after the month of the liquidation termination- lawsuit shall be null in accordance to the provisions of article (two hundred and nine) of the charter and the company's deregistration from the commercial registry in accordance to the commercial registry system or after three years of the termination of the liquidator work; whichever is farther.

Eleventh Chapter: Penalties

Article two hundred and eleven:

Without violating any more severe punishment stipulated by another charter, a prisonment of a period not exceeding five years and a fine not exceeding (5.000.000) five million Riyals, or one of those punishments, shall be the punishment of:

A- Any director, officer, member of the board of directors, auditor or liquidator who registered false or misleading data in the financial statements or any reports by them to be submitted to partners or the general assembly, or who omitted including essential facts into those statements or reports aiming to hide the financial position of the company from partners and others.

B- Any director, officer, member of the board of directors uses the company's funds in a way that they know it is against the best interest of the company in order to achieve personal goals or for the best interest of another company or person or benefits from a project or a deal that they has a direct or indirect interest in it.

C- Any director, officer, member of the board of directors uses their authorities or votes they have in that capacity in a way that they know it is against the interest of the company for personal goals or for the best interest of another company or person or benefits from a project or a deal that they has a direct or indirect interest in it.

D- Any director, officer, member of the board of directors or auditor who did not call for the general assembly or partners – or did not take necessary action in accordance to the circumstances – when knew that losses reached the estimated limits in accordance to the provisions of articles (one hundred and fifty) and (one hundred and eighty one) of the charter, or they did not announce the incident in accordance to the provisions of article (one hundred and eighty one) of the charter.

E- Each liquidator in charge to liquidize the company and uses its money, assets or rights in a way they know it contradict the company's best interest or deliberately harm partners or creditors, either for personal goals or for the best interest of another company or person or benefits from a project or a deal that they has a direct or indirect interest in it, or their behaviors towards the company's money were for preferring one creditor over another in fulfilling the creditor's right without any legitimate reason.

Article two hundred and twelve:

Without violating any more severe punishment stipulated by another charter, a prisonment of a period not exceeding one year and a fine not exceeding (1.000.000) one million Riyals, or one of those punishments, shall be the punishment of:

A- Any auditor that did not inform the company via departments or managing officials on violations that they discovered during their job and that look like including criminal violations.

B- Any public servant who disclosed for non- competent authorities the company's secrets that they had access to due to their job.

C- Any person that was appointed to inspect the company that, deliberately proven, they were preparing reports that include false incidents or that deliberately omit mentioning essential incidents that shall affect the inspection results.

D- Any person, who announced, published or expressed by any means aiming to dilute that a company that did not complete its registration procedures was registered.

E- Anyone who – for the sake underwriting or fulfilling the values of the shares- published the name of person contradicting the reality as being involved or shall be involved with the company by any means.

F- Anyone who deliberately provide in the memorandum of association, its articles of association, other company's documents, application of establishing the company or attached documents; false statements or violations of provisions of the charter as well as everyone signed or published those documents knowing that.

G- Everyone, either of partners or third parties, who exaggerated or provided false statements concerning evaluating the in kind shares, distributing shares among partners or fulfilling the full value knowing that, either that incident took place at establishment of the company, increasing the capital or distributing shares among partners.

H- Anyone who pretended to be a shareholder or a partner or voted, as a result of their job, in one of shareholders' or partners' assemblies either it was done personally or via third party.

I- Anyone who uses the company in any other purposes than the purpose it was permitted for.

Article two hundred and thirteen:

Without violating any more severe punishment stipulated by another charter, a fine not exceeding (500.000) five hundred thousand Riyals, or one of those punishments, shall be the punishment of:

A- Anyone acknowledged, distributed or paid, with bad will, profits or revenues other than the provisions of charter, memorandum of association or its articles of association as well as all auditors ratified that distribution knowing the violation.

B- Anyone from the members of the board of directors who deliberately hindered the call for general assembly or holding it.

C- Anyone who accepted appointment as a member of the board of directors in a joint stock company or managing director or remained obtaining the membership in violation of the provisions stipulated in the charter, and each member of the board of directors of the company in which those violations took place in case they knew about them.

D- Any member of the board of directors of the company who obtain a guarantee or a loan from the company in a violation of the provisions of the charter as well as very chairman of any company in which this violation was committed in they were aware of them.

E- Everyone who accepted to undertake the task of auditor or continued undertaking it knowing that there are reasons preventing them from undertaking those tasks in accordance to the provisions of the charter.

F- Everyone who deliberately prevented a shareholder or a partner from participating in one of members of the board of directors or prevented them from voting that is related to shares or allocations or as a partner; in violation of the provisions of the charter.

G- Everyone who obtained benefits, guarantee or promise in return of voting in a certain direction or not to participate in voting, and everyone who granted, guaranteed or promised those benefits.

H- Everyone who neglected his duties in calling the general assembly of shareholders' or partners' to be held during the stipulated period in accordance to the provisions of the charter.

I- Everyone who breached their duties in publishing the financial statements in accordance to the provisions of the charter.

J- Everyone who did not facilitate accessing to necessary documents for shareholder or partner in accordance to the provisions of the charter.

K- Everyone who neglected their duties in providing the ministry with documents stipulated in the charter.

L- Everyone who did not prepare minutes in accordance to the provisions stipulated in the charter.

M- Everyone who deliberately hindered the work of the stakeholders – by virtue of charter- in reviewing the company's papers, documents, accounts and documents, caused it or refused to enable them from undertaking their tasks.

N- Everyone who neglected to undertake their work in registering the company's memorandum of association or registering it in the commercial registry, and everyone who omitted registering the amendment of the company's memorandum of association or its articles of association or amendment in commercial registry's data in accordance to the provisions of the charter.

O- Every liquidator who did not register the liquidation or its termination in accordance to the provisions of the charter.

P- Everyone who neglected their duties in enlisting any of the data stipulated in article (fifteen) of the charter.

Q- Every auditor violated any of the provisions of the charter.

R- Every company or official in a company who did not observe applying the charters an decisions related to the company's business and activity and who do not adhere to instructions, directions and restrictions from competent authority without any reasonable cause.

Article two hundred and fourteen:

Stipulated punishments of crimes and violations stipulated in articles (one hundred and eleven) and (one hundred and twelve) of the charter shall be doubled in case of return. In accordance to the charter, anyone who recommitted the same crime and violation in which they were sentenced to a final ruling; within three years of the date of the sentence shall be considered returner.

Article two hundred and fifteen:

The Investigation and Prosecution Authority is competent to undertake the investigation and prosecution of the criminalized deeds in articles (one hundred eleven) and (one hundred twelve) of the charter.

Article two hundred and sixteen:

Competent authority may sentence the penalties on violations stipulated in article (one hundred thirteen). Anyone who was sentenced may plea before the competent judicial entity.

Article two hundred and seventeen:

If filing a lawsuit was not available against anyone who committed any deed criminalized in both articles (one hundred eleven) and (one hundred twelve), the Investigation and Prosecution Authority may file a lawsuit against the company claiming the stipulated fine.

Article two hundred and eighteen:

Applying punishments in this chapter does not violate the right of anyone to claim compensation from anyone who caused harm when committed any of the crimes and violations stipulated herein.

Twelfth Chapter: Final Provisions

Article two hundred and nineteen:

Without violating any of the provisions hereof, and the competences of the Saudi Arabian Monetary Agency in accordance to the related systems, especially, Bank Monitoring System, Cooperative Insurance Companies Monitoring System and Financing Companies Monitoring, the authority is the competent entity to supervise the joint stock companies enlisted in the Saudi Exchange Market and monitoring them as well as issuing the regulating rules, including regulating the merging processes if any of the parties was a company enlisted in the Saudi Exchange Market.

Article two hundred and twenty:

Observing provisions of article (two hundred and nineteen), competent entity has the right to monitor companies in relation to applying the provisions stipulated in the charter, memorandum of association and its articles of association, including the competence of inspecting the company and its accounts as well as demanding any statements from the board of directors, company's officials as it considers appropriate by one or more of its officials or experts chosen for that purpose.

Article two hundred and twenty one:

All officials in the company should provide the ministry representatives as well as the authority if the company was enlisted in the Exchange Market or seeks for- concerning the tasks stipulated in article (two hundred and twenty) – with all records, books and documents of the company they demand and to provide them with all information and related explanations.

Article two hundred and twenty two:

Officers, appointed by the competent entity, have the competence of judicial; police in proving violating the provisions of the charter. Therefore, they may reserve documents and records that they may consider related to the crime.

Article two hundred and twenty three:

The competent judicial entity shall consider all the civil, criminal and disputing lawsuits rising from applying the provisions of the charter as well as applying penalties stipulated for violating its provisions.

Article two hundred and twenty four:

Existing companies when the charter is effective should amend their positions in accordance to its provisions in a period of time not exceeding one year starting from the effective date. In exception, the ministry and the board of the authority, in accordance to their competencies, shall determine the provisions to which those companies shall b subject during that period.

Article two hundred and twenty five:

1- By a ministerial decree, instructional models shall be issued concerning memorandum of association and articles of association of each type of companies within one hundred and twenty days from the date of issuing the charter. Those models should be published in the ministry website and shall be effective from the date the charter was effective.
2- Minister and the board of the authority shall issue the necessary to execute their competencies of the charter's provisions.

Article two hundred and twenty six:

The charter shall replace the companies' charter issued by the royal decree no.: (6/R) on 22/03/1385 H (20/07/1965G). It shall surpass any contracting provisions.

Article two hundred and twenty seven:

Charter shall be effective after one hundred and fifty days from being published in the gazette.