

CORPORATIONS

FEATURES OF CORPORATIONS

- Legal personality
- Limited liability of shareholders
- Perpetual Existence.
- Transferable Shares.

TYPES OF CORPORATIONS

TYPES OF CORPORATIONS

- Limited Liability Companies
- Joint Stock Companies
- Representative offices and Branches

LIMITED LIABILITY COMPANIES LLC

LIMITED LIABILITY COMPANIES LLC: Formation

- usually formed for **small projects** that do **not require major financing** such as companies involved in internal trade and services activities.
- **Activity:** Limited liability companies **may not engage in** insurance, banking, securities brokerage, or portfolio management activities
- **Number of Shareholders:** 2 to 50 natural persons or legal entities
- **Model Articles of Association(Statutes)** is issued by a **Ministerial decree**, any **variations** therefrom **must be approved by GAFI** otherwise the registration may be rejected.

عقد تأسيس
شركة
شركة ذات مسئولية محدودة
خاضعة لأحكام القانون رقم 159 لسنة 1981

تم إبرام هذا العقد بالقاهرة في يوم ----- الموافق ----- بين كل من :-

م	الاسم	الجنسية	تاريخ الميلاد	إثبات الشخصية	الإقامة
1					
2					
3					

تمهيد

يقر الموقعون على هذا العقد بأنه قد توافرت في كل منهم الأهلية اللازمة لتأسيس الشركة وبأنه لم يسبق صدور أحكام على أي منهم بعقوبة جنائية أو جنحة مخلة بالشرف أو بعقوبة من العقوبات المنصوص عليها في المواد (89) ، (162) ، (163) ، (164) من القانون رقم 159 لسنة 1981 وذلك خلال الخمس سنوات السابقة على تقديم طلب التأسيس (ما لم يكن قد رد إليه اعتباره) وبأنهم لا يعملون بالحكومة أو القطاع العام أو قطاع الأعمال العام .

كما اتفقوا فيما بينهم على تأسيس شركة ذات مسئولية محدودة مصرية الجنسية بترخيص من حكومة جمهورية مصر العربية وفقاً لأحكام القوانين النافذة وعلى وجه الخصوص قانون الشركات رقم 159 لسنة 1981 ولائحته التنفيذية وأحكام هذا العقد . ويقر الموقعون على هذا العقد بأنهم قد التزموا بمراعاة كافة القواعد المقررة والمنصوص عليها في القوانين المذكورة في تأسيس هذه الشركة وذلك طبقاً للشروط والأوضاع الآتية :

مادة (1)

اسم الشركة : شركة ----- (ش.ذ.م.م) شركة ذات مسئولية محدودة .

مادة (2)

غرض الشركة هو :

مع مراعاة أحكام القوانين واللوائح والقرارات السارية وبشرط استصدار التراخيص اللازمة لممارسة هذه الأنشطة . ويجوز للشركة أن تكون لها مصلحة أو تشترك بأي وجه من الوجوه مع الشركات وغيرها التي تزاوِل أعمالاً شبيهة بأعمالها أو التي قد تعاونها على تحقيق غرضها في مصر أو الخارج . كما يجوز لها أن تقدم في الهيئات المسالفة أو تشترك بها أو تلحقها بها وذلك طبقاً لأحكام القانون ولائحته التنفيذية .

LIMITED LIABILITY COMPANIES LLC: Capital

- **no minimum or authorized capital**
- **capital must be fully paid** at the time of **incorporation**
- **Cash contributions** are placed in a **blocked bank account**, which are then **released upon formation**
- **Share Values** are for **equal value & transferable**
- **Shares cannot be registered with the Stock Exchange.**

LIMITED LIABILITY COMPANIES LLC:

Management

- by one or more **manager** one of whom must be an Egyptian .
- A limited liability company that has **over 10 shareholders** must establish a **supervisory committee** from amongst its shareholders.
- **General Assembly: Ordinary** (auditing , financial statement..)/ **Extraordinary** (amending the Articles of Association)

LIMITED LIABILITY COMPANIES LLC : Books & Records

- The following documents **must be submitted annually to the Companies Department:**
 1. Balance sheet, the profit and loss account and the auditor's report
 2. Names and nationalities of the manager(s)
 3. All personnel and the salaries paid
 4. **Profits and proportion distributed to employees if capital reaches LE 250,000.**

Joint Stock Companies

Joint Stock Companies : Formation

- usually used in a **manufacturing project that requires major investments, no requirements to pay the full capital upon establishment**, which can be **paid over a number of years based on the development** of the project.
- **Notify the Companies Department of the pending formation of a company and attach:**
 1. **Model articles of association (statutes)** issued by a Ministerial Decree
 2. **A certificate from a bank of deposit of (25% of the issued capital)** in a blocked account ,released upon the company's formation.
 3. **A receipt covering the payment of incorporation fees(0.01% of the issued capital, maximum EGP 25,000 and minimum EGP 250)**

Joint Stock Companies: Registration

- An issued **certificate by Companies Department**, to the founders confirming receipt of the **completed documentation**.
- **certificate** must be **registered at the Commercial Register Department** and the company will receive its **legal personality** upon the **lapse of 15 days from such registration date**
- The company's **articles of association (statutes)** must be **published in the relevant Companies Gazette**

Objections To Registration

1. The Companies Department

may object **within 10 days from the date of the company's registration with the Commercial Register Department *if*:**

- The articles of association or **statutes deviate from the models** with respect to mandatory requirements or violate any law;
- The **activity** of the company **violates any law** or public order; or
- **One of the founders is not qualified to be a founder** pursuant to the law.

2. The company

is required, **within 15 days of receipt of the notification of objection**, to either **rectify** objection or **appeal to the Minister of investment**. Otherwise, the newly registered **company** will be **removed from the Commercial Register**.

Objections waiver

The **objection** is deemed to have been **waived** if:

- The company does **not receive the decision of the Minister** within **15 days** of the filing **of the appeal**; or
- The **company does not receive any objections from the Companies Department within 15 days** of its receipt of the notification from the founders of the steps taken by them to **rectify** the grounds for objection.

Joint Stock Companies: Issued Capital & Authorized Capital

Joint Stock Companies: Issued Capital

= paid in capital.

- **Amount** : not less than **LE 250,000** for closed companies and **LE 1,000,000** if the company intends to offer its shares to the public
- **Payment** : **10%** at incorporation **increased to 25%** within three months. **Full payment** **within a period of five years** after the incorporation date

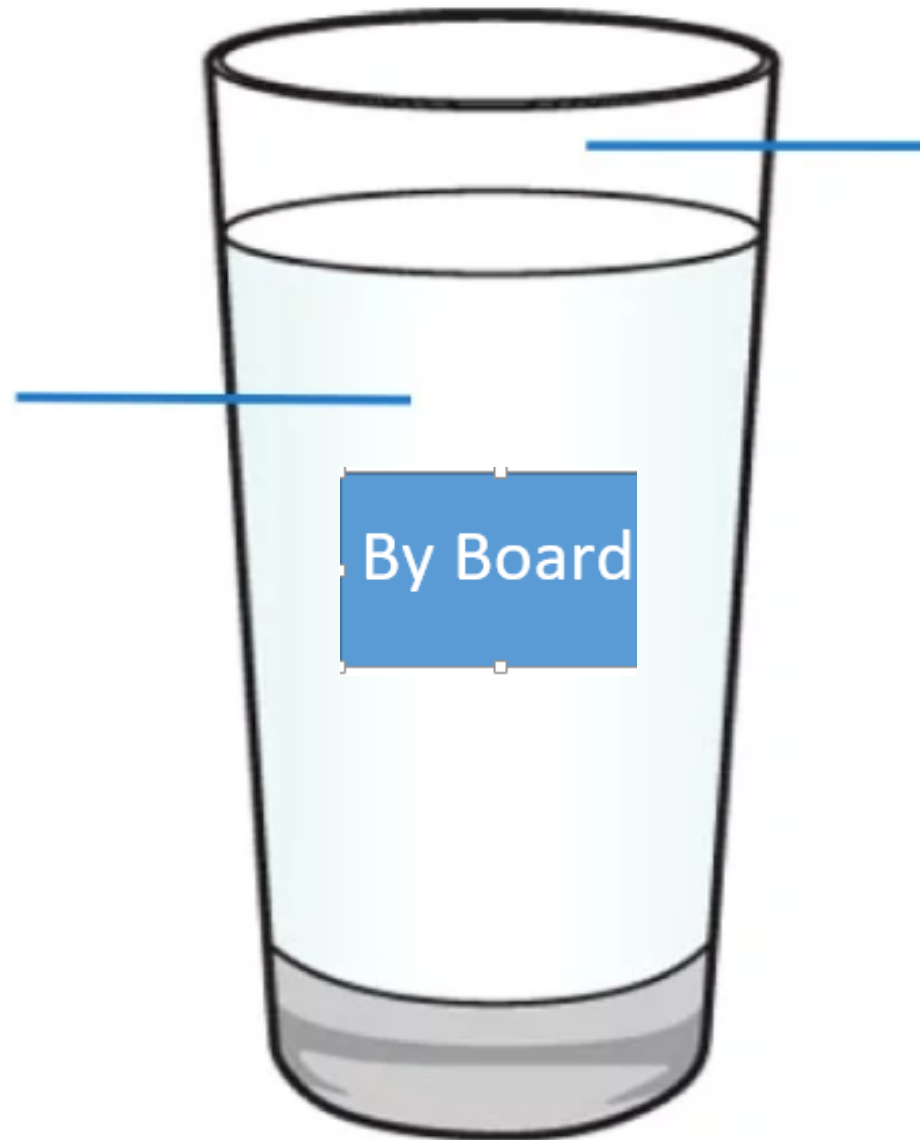
Joint Stock Companies : Authorized Capital

- the **capital** amount as stated in the article of incorporation.
- **Amount:** may not exceed ten times the issued capital.
- An **increase** of the issued capital within the cap of the authorized capital may be effected by a **board resolution**.
- Any **increase** in the authorized capital would require an extraordinary general meeting resolution.

By extraordinary GA

Paid Up Capital

- Paid up capital is like water in the container.
- It is the amount of shares the company has issued to its shareholders.
- The company has the capacity to issue more shares upto the authorised capital of the company.



Authorised Capital

- Authorised Capital is like the container that holds the water.
- It is the maximum amount of shares a company can issue.
- To increase authorised capital, shareholder approval and payment of fee to Government is required.

What would be your recommendation to Karim and why?

- Karim is the chairman of XYZ Bank and a big fan of formula one races. In 2020, he established Cairo Formula One Cars Company, the biggest joint stock company in the region with Egyptians and Europeans investors, to produce formula one cars with a paid capital of 200 M EGP(fully paid) and an authorized capital of 300 M EGP. The first year, the company was a great success. The Board of directors decided to raise the capital to 250 M EGP. Karim thought that this decision is illegal because the board of directors is not authorized to take such big decision.