

LEBANON CODE OF COMMERCE

LEGISLATIVE DECREE N° 304 OF 24 DECEMBER 1942
(including modifications)

The President of the Lebanese Republic, Whereas the proclamation of 26 November 1941, On the proposal of the Minister of Justice,
And after approval by the Council of Ministers on 24 December 1942, Decrees what follows

BOOK I

TRADE, MERCHANTS AND STOCK-IN-TRADE

TITLE I - GENERAL PROVISIONS

Article 1

The present code contains the rules relating to all acts of trade, irrespective of the legal quality of their performer, on the one hand, and provisions enforceable on professional traders, on the other.

Article 2

Unless otherwise specified in the present code, common law provisions shall apply. in commercial matters, only in so far as they are reconcilable with the principles proper to the commercial law.

Article 3

In the absence of any applicable legal provision, the judge can draw upon previous test cases for guidance as much as he may let himself inspired by the strictures of commercial equity and loyalty.

Article 4

In his assessment of the effects of a commercial operation, the judge shall apply well established usages, unless it becomes apparent that the parties had. agreed to derogate them, and unless such usages run counter to imperative legal provisions.

Special or local usages are presumed to override general usages.

Article 5

Trade exchanges, fairs and markets, general warehouses, entrepots and other institutions for trade, are, whenever necessary, governed by special laws or regulations.

TITLE II - TRADE ACTS

Article 6

Are considered land trade acts by their own nature such acts as are hereinafter listed, as well as those which, by their apparently identical characters and the identical purpose they pursue, could be likened thereto:

- 1 - The purchase of goods or other movables, corporeal and incorporeal, with a view to re-sale at a profit, either in a state of nature or after they have been fashioned or transformed;
- 2 - The purchase of the same movable objects for letting or renting for subletting;
- 3 - The re-sale, letting or sub-letting of the objects thus purchased or rented;
- 4 - Exchange or bank operations;
- 5 - Supplying;
- 6 - Manufacturing, even if this is ancillary to an agricultural exploitation, but excluding the case when transformation is achieved through simple manual work;
- 7 - Land, water or air transport;
- 8 - Commission and brokerage;
- 9 - Fixed premiums insurance; 10 - Public entertainments; 11 - Publishing; 12 - General warehousing; 13 - Mining or petroleum enterprises; 14 - Real estate enterprises; 15 - Buying buildings for re-sale at a profit; 16 - Business agencies.

Article 7

Are likewise acts of maritime trade

- 1 - Any construction enterprise, all purchases of vessels for internal or external navigation, in order to exploit them commercially or for re-sale, and all sales of vessels thus acquired; 2 - All maritime expeditions and all operations related thereto, as well as the purchase or sale of gear, tackle and supplies; 3 - Freightage or chartering of vessels, bulk borrowing or lending; 4 - All other contracts concerning sea trade, such as agreements and conventions for the crew's hire and wages, the employment of sea-farers for the manning of trade vessels.

Article 8

The law also recognizes as acts of trade all those that are performed by the merchant for the requirements of this trade. Barring proof to the contrary, a merchant's acts are presumed, in the event of doubt, to be so designed.

TITLE III - MERCHANTS

CHAPTER 1 - Traders in general and the legal qualification required to go into trade

Article 9

Traders are

- 1 - Those whose profession is to transact acts of trade; 2 - Companies whose object is commercial.

Those whose object is civil, but which have assumed the form of joint-stock companies or of partnership companies limited by shares, shall be submitted to all the merchant's obligations as specified in chapters 2 and 3 and hereinafter, as well as to the system of composition and insolvency as is laid down in Book V of the present code.

Article 10

Those who individually carry on a small trade or simple handicraft with minimal overheads, such as the peddler, the journeyman retailer or he who undertakes small transport operations by land or water, are not subject to those obligations concerning trade books, nor to the publicity rules prescribed by the present code.

Article 11

The married woman, whatever the provisions of her personal status, is legally qualified for trading only in so far as she obtains her husband's express or tacit agreement.

Tacit agreement is presumed granted when trade is public and manifest, and is carried on without the husband's opposition.

Article 12

Agreement thus granted may be cancelled for just motives by the husband, subject to judicial control, if need be.

Such cancellation shall be mentioned in the trade register.

Article 13

The married woman regularly qualified enjoys unrestricted legal capacity to transact all acts in the interest of her commercial enterprise.

However she must be specifically authorized if she intends to join a partnership or be financed in a limited company.

Article 14

The married woman's rights are limited, if need be, by the rules of her personal status or by those of her matrimonial regime.

Article 15

Any separate maintenance pronounced abroad shall be no bar against Third Parties, in Lebanon, unless such separation has been duly entered on-the trade register of the place where the spouses or either of them carries on a commercial trade.

CHAPTER 2 - Trade books

Article 16 (as modified by the Law promulgated by Decree N° 9800 of ----- (4 May 1968

Any natural or juridical person duly qualified as trader is required to keep a ledger on which he shall record, day by day, all the operations concerning, under whatever title this may be, his commercial enterprise and, at the least, whenever he is prevented from doing so by the very nature of his work in the enterprise, relate month by month, the results of these operations, on condition that in the latter case, he should keep all the documents which make possible the checking of the regularity of these operations, day after day, throughout the period provided in article 19 of the Code of Commerce.

He must equally draw up an annual inventory of all the elements of his enterprise and all the accounts thereof in order to strike the Balance Sheet and the Profit and Loss Account and to record, at the very least, the Balance Sheet and the Profit and Loss Account in

the inventory book. If this book does not comprise the detailed elements of the inventory, the supporting documents must be filed and kept throughout the period referred to in article 19 of the Code of Commerce.

Article 17

Compulsory trade books are to be kept by calendar order, without spacing, gaps, marginal annotations, interlinear spacing or erasures.

Article 18

They are numbered, initialed and countersigned, either in the town where sits the Court of primary jurisdiction by the president of this Court, or by the conciliation magistrate.

Article 19

The books must be kept by the trader for a period of 10 years after their closure.

Article 20

They may be accepted as documentary evidence in Court in favor of the trader on condition that they are regularly kept, that their statements are used against another trader and that the dispute concerns an act of trade.

In all cases, they are proof against the trader who has kept them; if the latter refuses to produce them, the oath may be administered by the judge to the other party.

Article 21

The books are submitted to Court in full only in the event of an inheritance, the apportionment of common property, company, composition and insolvency. Apart from these cases, the presentation of the books may always be offered, required or even prescribed as a matter of course in order to draw therefrom what concerns the dispute.

CHAPTER 3 - The trade register

Article 22

The trade register enables the public to collect complete information regarding all the business houses operating in the country.

It is also, whenever expressly stated by the law, an instrument of publicity designed to use the entries therein against Third Parties.

Article 23

A register is kept in the district of each Court of primary jurisdiction, by a Clerk, under the supervision of a president or that of a judge specially designated each year by the latter.

Section 1 - Registration of traders of every nationality whose main establishment is in Lebanon

Article 24

Every trader must require the Court Clerk in whose district his main establishment lies, to list him on the register within one calendar month of the opening or the acquisition of his stock-in-trade. The applicant remits the Clerk a declaration, in duplicate, duly signed by him; the declaration indicates

- 1 - The trader's surname and first names;
 - 2 - The name under which he carries on his trade and, if need be, his nickname and borrowed name;
 - 3 - The date and place of birth;
 - 4 - His original nationality and, in the event of his acquiring a new nationality, the date and the process by which such nationality was acquired;
 - 5 - If the case concerns a married woman of foreign nationality who, under the terms of her personal status, is not authorized to engage in trading without her husband's expressed authorization, the authorization given in conformity with this status;
 - b - The matrimonial regime of the trader of foreign nationality, unless this is legal community (of property);
 - 7 - The object of the trade;
 - 8 - The places where lie the branches or agencies of the stock-in-trade in Lebanon or in Syria;
 - 9 - The sign or "style" of the establishment;
- 10 - The surname, first names, date and place of birth as well as nationality of the proxies; 11 - The trade establishment which the applicant has previously exploited or those under exploitation within the territorial competence of other Courts.

The Clerk reproduces the contents of the declaration on the trade register. He remits the applicant one copy of it, on the bottom of which he certifies it true to original.

Article 25

Must also be mentioned on the trade register

- 1 - Any change or modification relating to the facts, the entry of which in the register is prescribed by the preceding article.
- 2 - The patents exploited and the manufacturing or trade marks employed by the trader;
- 3 - The rulings or orders appointing a legal counsel to the registered trader or pronouncing a prohibition on him, as well as decisions of repletion.
- 4 - Judgments or orders adjudicating insolvency, confirming a scheme of arrangement, pronouncing the termination or annulment, declaring excusability, closing the insolvency for insufficient assets, rescinding a closure order, pronouncing rehabilitation.
- 5 - Conveyance of the stock-in-trade.

Entries are required of the trader in cases referred to in Nos. 1, 2 & 5 of the present article. They are so required by the Clerk and the Court who pronounced the decisions for entry, in the cases referred to in Nos. 3 6c 4 of the present article.

Entries are effected as a matter of course by the Clerk when judgment has been passed by the Court in whose office the register is kept.

Section 2 - Registration of trading companies of every nationality whose main establishment is in Lebanon

Article 26

Trading companies of every nationality whose main establishment is in Lebanon must be entered on the trade register of their head office. Registration is requested within one month of the company formation, either by the Manager or by the Directors.

Petitioners produce in the Court office an abstract of the deed of partnership on stamped paper, in duplicate signed by them, bearing notably the following indications

- 1 - The surnames and names of partners other than the shareholders and sleeping partners, the date and place of birth, the nationality of each of them;
- 2 - The style or denomination of the company;
- 3 - The object of the company;
- 4 - The places where the company operates branches or agencies, either in Lebanon or abroad;

5 - The names of partners or Third Parties authorized to administer, manage or sign for the company; 6 - The amount of the company capital and the amount of sums or value to be provided by the shareholders or sleeping partners, as well as the individual importance of contributions in cash and those in other goods; 7 - The time when the company commences and that when it must end; 8 - The nature of the company; 9 - If it is with sliding capital, the level down to which capital may be reduced.

Article 27

Are to be equally mentioned on the trade register

- 1 - Any change or modification regarding the facts entry of which is prescribed by the preceding article;
- 2 - The surnames, names, date and place of birth, as well as the nationality of Managing Directors, Board Directors or Directors appointed in the course of the duration of the company;
- 3 - The patents exploited and the manufacturing or trade marks employed by the company. Registration thereof is required of Managing Directors or Board Directors in office at the time when such registration is to be made.
- 4 - Judgments or orders pronouncing the dissolution or nullity of the company;
- 5 - Judgments or orders adjudicating the Company's insolvency or confirming its scheme of arrangement as well as decisions relating thereto.

Section 3 - Traders of every nationality operating their main establishment abroad and a branch office or agency in Lebanon

Article 28

Any trader operating a main establishment in a foreign country and a branch office or agency in Lebanon must, whatever his nationality, have himself registered within the month following the opening of such agency or branch office, in the Court Office within whose territorial competence the agency lies. The declaration must contain the aforementioned entries with indication of the place of the main establishment.

Equally to be mentioned on the trade register are all the modifications stated above as well as the foregoing judgments or orders, when they have been declared executory by the Courts of those countries.

Section 4 - Foreign companies operating a branch office or an agency in Lebanon

Article 29

Excluding joint-stock companies or partnership companies limited by shares governed by High Commissioner's Order No. 96 of 30 January 1926, any foreign commercial company operating a branch office or an agency in Lebanon is required to register on the trade register.

Article 36

Every trader and company, under obligation of registration, is required to state on his letters, invoices, order sheets, price lists, pamphlets and other printed matter emanating from his house, the place where he is registered and his registration number.

Article 37 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Any trader, manager or company director who does not carry out within the prescribed time-limits the compulsory inscriptions or who does not show the necessary references on the letters, invoices, or other printed matter emanating from his house is under penalty of a fine from fifty to one thousand Lebanese Pounds. The fine is inflicted by the Court of primary jurisdiction on the request of the president or of the judge in charge of the supervision of the trade register, after the interested party has been heard or summoned. The Court ordains that the omitted inscription shall be made within a fortnight. If it has not been effected, within this time-limit, the fine duly inflicted shall be doubled. The Court Recorders who do not conform to the obligations provided by the present rule shall be subject to disciplinary proceedings.

Article 38 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Any incorrect reference given in ill faith with the view to its registration or inscription in the trade register is under penalty of a fine from 250 to 5,000 Pounds and of a term of imprisonment from one month to six months or of either penalty, without prejudice to the application of cumulative penalties to the stronger sentence passed in conformity with special laws and the Penal Code for all offences resulting from the incorrect reference.

The sentence of the Misdemeanor Court passing the condemnation ordains that the incorrect reference shall be rectified 'in the wording that it determines.

Article 39

These penalties are enforceable without prejudice to the invalidation of opposition to Third Parties of the facts or mentions, the entry of which on the trade register is prescribed under penalty of nullity.

TITLE IV - STOCK-IN-TRADE

Article 40 (Abrogated and replaced by Decree-Law N° 11 of 11 July 1967)

Article 41 (Abrogated and replaced by Decree-Law N° 11 of 11 July 1967)

BOOK II

COMMERCIAL COMPANIES

TITLE I - GENERAL PROVISIONS

Article 42

The rules laid down by the code of obligations relating to company contracts are enforceable on commercial companies, only in so far as they would not be in expressed or even tacit contradiction with the rules of the present code.

Article 43

All commercial companies, with the exception of participating companies, are to be stated in writing. But Third Parties may, if need be, be admitted to prove by all means the existence either of the company, or of such company clause.

Article 44

Deeds of partnership of all commercial companies, with the exception of participating companies, must, under penalty of nullity, be published, through the completion of formalities which shall be detailed hereinafter.

Article 45

All commercial companies, under the same exception, are endowed with moral personality.

TITLE II - PARTNERSHIP COMPANIES

Article 46

A partnership company, which operates under a style, is constituted by two or several persons who are personally and jointly responsible for the liabilities of the company.

Article 47

The partnership deed of the company may be indifferently authenticated or under private seal; in the latter case, as many copies as there are partners must be made out.

Article 48

Within the month of the company formation, a duplicate or copy of the deed of partnership is to be deposited in the Clerk's Office of the Court of primary jurisdiction where the company head office lies.

Article 49

Within the same time-limit the company must be entered on the trade register of its head office.

This publicity shall be made by abstract and shall contain all the entries which Third Parties are interested to know, notably

- 1 - The names, first names, nationality, domiciles of the partners and the style of the company;
- 2 - The form of the company;
- 3 - Its object;
- 4 - Its head office and its branch offices and agencies;
- 5 - The amount of the company capital and the value attributed to contributions;
- 6 - The names of partners or of proxies empowered to sign for the company;
- 7 - The date of formation and the duration of the company.

Article 50

In the event of a subsequent modification of the deed of partnership a new deposit must be lodged with the Clerk's office.

Registration must also be made in the trade register, if this concerns an item of interest to Third Parties.

Article 51

Failure to deposit in the Clerk's Office or to enter in the trade register the deed of partnership entails the nullity of the company and, in the event of prejudice to Third Parties, the joint liability of all the partners.

The omission of an entry of interest to Third Parties, either in the Articles deposited in the Clerk's Office, or in the abstract of the trade register, invalidates the opposition of this clause to interested parties.

Failure of publicizing alterations to the Company deed invalidates the opposition of such modifications to Third Parties.

Article 52

Nullity for defaulting in publicity is not prescribed. It may however be invoked by all interested parties, but the partners are not authorized to avail themselves of it against Third Parties.

However, if the publicity formalities were belatedly completed, only those persons who have dealt with the company before its compliance with regulations may avail themselves of the nullity incurred.

Article 53

Each of the partners of a partnership company must be considered as trading by himself under a company style; each acquires the legal quality of trader and the failure of the company entails the individual failures of all the partners.

Article-54

The "style" is composed of the names of all the partners or of some of them followed by the words "& Co.". It must always correspond to the present personnel of the company; the Third Party who would knowingly allow his name to stand in the style would be liable for the debts of the company in relation to anyone who might have thus been misled into error.

Article 55

Apart from conveyances which would have been expressly provided for in the deed of partnership, the partners' shareholding interests may not be ceded to Third Parties, except by the unanimous consent of all the partners and subject to compliance with all the publicity obligations.

But a partner is authorized to transmit to a Third Party the rights and advantages deriving from his holding interest, such agreement having effect only between the contracting parties.

Article 56

Management belongs to all partners, unless it has been entrusted, by the Articles or a subsequent deed, to one or several partners or even to an outsider.

Article 57

Managers are subject to dismissal in accordance with the same conditions as have governed their appointment; however, if the dismissal is abusive, this may give title to damages within the framework of article 822 of the code of obligations. Substitution of a new manager for a statutory manager must be published.

Article 58

Managers may perform all acts required for the normal operation of the enterprise under partnership, except for such curtailment of their powers as may be provided by the (company) Articles.

Article 59 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Without the special permission of partners renewable if need be every year, managers may not conclude for their personal account any deal with the company or any agreement wherein one of them or all should have a direct or indirect interest. Usual contracts bearing on operations effected by the company with its customers are excluded from this prohibition.

Article 60

Neither can Managers, without due authorization renewed every year, apply themselves to the management of a similar enterprise.

Article 61

If there are several Managers, each of them may veto the conclusion of operations contemplated by the others. The decision lies with the majority of Managers unless the veto is grounded on the unstatutory character of the projected act. Eventually, it shall lie with the Court to appreciate the character of the act.

Article 62

Managers commit the company, whenever they act within the limits of their powers and that they sign under the company style, even if such signature is used in their own interest, except when the Third Party is of ill faith.

Article 63

The company creditors take action against the company which they must serve with formal notice to pay them, and against each of the partners within the partnership at the time when the commitment is contracted; the latter are held jointly on their personal assets.

Article 64

The causes for dissolution, common to all trading companies, are the following .

1 - Expiry of the time for which the company had been formed; 2 - The normal end of the contemplated enterprise; 3 - The disappearance of the very object of the enterprise.

On the other hand, the Court may always, upon the partners' request, either declare the dissolution of the company for such causes as it may appreciate, or decide the exclusion of such a partner who does not meet his obligations under the partnership.

Article 65

Partnership companies are, moreover, submitted to the following causes of dissolution

- 1 - The will of one of the partners, if the company has been formed for unlimited duration, on condition that such withdrawal does not endanger the legitimate interests of the company, due regard being taken of the circumstances during which this intervenes;
- 2 - General disqualification of one of the partners;
- 3 - The insolvency of one of them.

However, the other partners may unanimously decide to continue the partnership among themselves, to the exclusion of the resigning partner, but on condition that the measures of legal publicity are proceeded with.

Article 66

Unless otherwise provided in the Articles, in the event of a partner's death, the partnership company continues among the survivors if the pre-deceased leaves neither spouse nor descendant to collect titles. Otherwise, the company continues with the spouse or the descendants, who assume the quality of sleeping partners.

Article 67

In all cases, the value of partnership titles of a pre-deceased or excluded partners is assessed by special stock-taking, unless another mode of assessment is provided under the Articles.

Article 68

The dissolution, except in the event when it conforms to provisions in the partnership deed, must be published in like manner and time-limit as the deed itself. The same applies when one of the partners is excluded or when the company is continued after the death of one of the partners.

Article 69

After the dissolution of trading companies, their personality is supposed to survive only during the period and for the requirements of liquidation.

Article 70

If the Articles fail to designate the liquidator or liquidators and if the partners fail to agree on their choice, it shall lie with the Court of the head office to appoint them.

Article 71

The deliberations or the judicial ruling designating the liquidators shall be published by the latter.

Article 72

Upon their taking office, the liquidators are required to proceed with stocktaking, jointly with the managers.

Article 73

The liquidators shall recover what may be due to the company by Third Parties or by the partners; they shall settle the company's debts, realize the assets and perform such acts as may be necessary for liquidation.

But they could not continue the exploitation of the company enterprise nor cede its stock-in-trade globally, without obtaining special authorization from the partners.

Article 74

Upon the partners' request, the liquidators shall have to provide all information regarding the state of liquidation, on condition that the process of liquidation is not impeded by abusive requests.

Article 75

Sharing-out shall be effected according to the provisions of the deed of partnership and, also, in conformity with the rules laid down in articles 941 to 949 of the code of obligations.

Article 76

In all trading companies, except for proceedings which may be taken against the liquidators as such, cases brought by the company's creditors against its partners, their heirs or other persons concerned,, shall be limited to five years after the dissolution of the company, or after the departure of a partner in so far as he may be concerned.

This time limitation commences on the day when publicity has been completed whenever such publicity is required. Limitation in respect of cases which may arise from the liquidation itself commences on the day this liquidation is closed.

The time-limitation may be interrupted or suspended according to what is provided by the rules of common law.

TITLE III - JOINT-STOCK COMPANIES

Article 77

The joint-stock company is a company deprived of a "style", formed by a certain number of persons who subscribe to shares, negotiable securities, and who are held for the company liabilities only up to the amount of their contribution.

Article 78 (as modified by Decree-Law N° 54 of 16 June 1977)

Whatever its object, every joint-stock company shall be subject to the laws and practices of commerce.

All joint-stock companies established in Lebanon shall have their Read Office in Lebanese territory, and such companies shall - as a matter of unqualified right - vested with Lebanese nationality, notwithstanding any text to the contrary.

One third of joint-stock companies capital whose object is the operation of a public service shall be made up of nominal shares belonging to Lebanese shareholders. In any case, such shares may not be ceded except to Lebanese shareholders, failing which cession shall be null and void.

CHAPTER 1 - Formation

Article 79 (as modified by the Law promulgated by Decree No 9798 of ----- (4 May 1968

The number of Founders may not be less than three. No one may participate in the foundation of a joint-stock company if he has been declared insolvent and has not been rehabilitated over the last ten years at least, convicted in Lebanon or abroad within less than ten years, for a crime or offence, subject to penalties of swindling, or embezzlement of funds or securities, the mala fide issue of unfunded cheques, for impairing the financial security of the State as is defined in articles 319 and 320 of the Penal Code, or for receiving goods acquired through these crimes.

The same conditions apply to representatives of juridical persons participating in the foundation of a company.

Company Founders are jointly liable for commitments entered into and for expenses made towards the formation of the company, without recourse against subscribers for shares in the event the company failed to be formed.

Article 80 (as modified by the Law of 23 November 1948 and by Decree-Law ----- (N° 54 of 16 June 1977 With due regard to the provisions of laws and regulations which submit the performance of certain activities to a prior license, the setting up of joint-stock companies shall require no authority emanating from the administrative authorities.

The articles of association of the joint-stock company and any subsequent modification shall be submitted and registered with the Notary of the district where the company's head office is located.

Article 81 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Before any call is made to the public for subscription to the company capital, Founders are required to have it inserted in the Official Gazette and in two newspapers, one a local daily and the other economic, a notice bearing the signature and address of each of them and indicating notably the, "style" and the head office of the company and of its branches, its object, its duration, the amount of the company capital, the nominal value of the shares and the initial down payment, the importance of contributions in kind, the clause of fixed interest, the conditions of profit-sharing, the number of directors, their statutory remuneration and their powers.

The individual subscription form, the share certificate, as well as the posters, circular letters and prospectuses must carry the statements of the notice, with reference to the issue of the newspapers where it was published.

Article 82 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Any infringement to the provisions of the preceding article is liable to a fine from 1,000 to 5,000 Lebanese Pounds, without prejudice to the Court's powers to cancel, if need be, such subscriptions as may have already been collected.

Article 83 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

The company capital which may not be less than 300,000 Lebanese Pounds must be fully subscribed.

Article 84

The minimum rate of fractional shares is 25 Lebanese Ponds and each subscriber is required to make a minimum down payment, in cash, of one quarter of the amount of his shares.

Article 85 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Founders may deposit these sums paid-in by subscribers before the definitive formation of the company in one of the State-approved banks under an account established in the name of the company with the list of subscribers and the sums individually paid-in.

These sums shall be withdrawn after the formation of the company under the signature of the person or persons duly qualified according to the Articles and upon the production of copies, certified true to the Articles, of the decree authorizing the formation and of the minutes of the Constituent Meeting.

In the absence of a deposit or when the sums so deposited have been withdrawn or disposed of wholly or partially before the definitive formation of the company, infringers are liable to a fine equal to 10 per cent of the value of the sums deposited, withdrawn or utilized and are open, if the case so requires, to penalties for breach of trust or dishonest management, without prejudice to liabilities under civil law which such acts may involve them into.

If the company has not been formed within the six-month time-limit dating from the authorization, any subscriber shall be entitled to petition the judge of summary procedure to appoint a provisional administrator whose terms of reference will be to withdraw the sums and repay them to the subscribers after deducting charges for distribution. _

Article 86 (as modified by the Law promulgated by Decree NO 9798 of ----- (4 May 1968

The accuracy of evaluation of contributions in kind is subject to the appreciation of one or several experts appointed by ordinance from the president of the Court in whose locality lies the head office of the company upon the request of the Founders, such expert or experts to be selected from the panel of experts officially agreed by the Court.

The vesting of individual advantages in the company Articles on whomsoever is prohibited.

Article 87

The experts' report shall be put at the disposal of subscribers; the latter shall be authorized to relinquish their subscription if the Founder's assessment exceeds by 20 per cent the actual value of initial shares and advantages, according to the appreciation of competent persons.

It shall lie with the Founders to subscribe in substitution of the defaulting subscribers or to have others subscribe for the latter's shares.

Article 88

The initial shares must be paid up at the time of the formation of the company.

Article 89

They remain registered, must be left attached to the counterfoil and struck with a stamp indicating their nature and the date of the formation of the company; they shall not be negotiable until after the approval by the General Meeting of the accounts of the second financial year.

Non-negotiability does not apply to the initial shares allotted to shareholders of an amalgamated company, whose securities had already become negotiable.

Article 90 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Within one calendar month of the expert's report, the Founders are required to convene a general meeting of the shareholders, such meeting to be announced ten clear days in advance, wherein the expert's report on the evaluation of contributions in kind shall be submitted.

Deliberations shall then be held in conformity with the rules of quorum and majority proper to such meetings. Contributions in kind shall be barred from voting, even though they should equally be subscribers for shares in cash or agents for such subscribers.

This procedure may not be imposed whenever there are contributors in cash outside contributors in kind.

Article 91 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Completion of these formalities does not preclude subsequent proceedings for liability which may be jointly initiated within five years dating from formation, against the Founders, contributors in cash, first directors, first supervisory commissioners and experts whenever a substantial and conscious overestimation of the contributions in kind should be demonstrated.

Article 92

The constituent meeting verifies in all cases, with supporting evidence, if all the terms of the company formation have been met.

Article 93

The meeting appoints the first Directors, in the event they have not been designated in the Articles, as well as the first supervisory commissioners, and the company is formed upon their acceptance.

Directors and supervisory commissioners must ascertain, under their joint responsibility, that the company has been formed in accordance with regulations.

Article 94

When a joint-stock company has been formed irregularly, any interested party shall be empowered, within a period of five years, to give it formal notice that the omitted formality should be accomplished.

In the event of failure by the company to initiate, within one calendar month, a regularizing procedure, the interested party shall be authorized to have it pronounced null.

Nullity may not be opposed to Third Parties by the partners.

The annulled company is liquidated as a de facto company.

Article 95 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

In the event of irregular formation, proceedings for joint liability may be taken, alongside proceedings for nullity, by the partners or Third Parties against the Founders, the first directors, first supervisory commissioners and equally against contributors in kind and experts in those cases where the formalities for verification should not have been faithfully observed.

But the plaintiff will be required to prove the existence of a relationship of cause to effect between the irregularity of formation and the prejudice he sustained.

These proceedings for liability shall have the same duration as proceedings for nullity, without however being subject to curtailment to less than three years through rectification of the irregularity.

Article 96 (as modified by the Law promulgated by Decree N° 9798 of -_-----_- (4 May 1968

Shall be under the penalty of a fine from 500 to 5,000 Lebanese Pounds those persons who, even in bona fide, should have delivered to subscribers final certificates of shares of a joint-stock company irregularly incorporated, as well as those who should have negotiated or participated in negotiating such shares, or officially published the value of these shares, in case where irregularity was at least apparent.

Article 97

Any fraudulent scheming designed to urge subscriptions or payment shall come under penalties for swindling.

Article 98

Once the company has been formed, the Directors are bound to proceed with the initial formalities of publicity, of deposit in the Clerk's Office and of registration on the trade register, such as are prescribed for all companies.

Article 99

Default in publicity shall entail the same penalties : nullity either of the company, or of the omitted clause; joint liability of the first Directors and the first supervisory commissioners, whose duty is to control the completion of all formalities.

Article 100

In addition, the company is submitted to a permanent publicity thus constituted

Articles must be put up on the Notice Board of the company offices.

Any person may obtain a copy certified true, against normal remuneration.

All the printed or autographed matters of the company must make mention of its denomination, whether it is a joint-stock company, the amount of its capital and the portion which has been paid down.

Article 101 (as modified by the Law promulgated by Decree NO 9798 of ----- (4 May 1968

Every year, two months following the approval of accounts by the general meeting, the Directors shall have the Balance Sheet of the closed financial year published in the Official Gazette, as well as in an economic newspaper and a local daily, together with the list of the members of the Board and of the account commissioners.

Article 102 (as modified by the Law promulgated by Decree NO 9798 of ----- (4 May 1968

The formality regarding the publicity of the Balance Sheet shall be under the sanction of a fine of between 1,000 and 5,000 Lebanese Pounds; formalities concerning the posting of the Articles and of the reference to be carried on the written material emanating from the company shall be under the sanction of a fine of between 100 and 1,000 Lebanese Pounds. In the event of a second offence, penalty shall be doubled.

CHAPTER 2 - Securities issued by joint-stock companies and the legal status of holders of such securities

Article 103 (as modified by Decree-Law No 54 of 16 June 1977)

Joint-stock companies issue shares. They may issue debentures, as they may also issue debentures convertible into shares.

They are forbidden to issue founder-shares, that is to say, securities giving title to profit-sharing without a previous contribution to capital.

Section 1 - Shares

Article 104

Shares are equal subdivisions of the company capital, indivisible, to which correspond a negotiable security either registered, or to Order, or to Bearer.

Article 105

The share confers on its holder a certain number of specific rights right to dividend, right to option to subscription in the event of capital increase, right to refund of the nominal amount of the share and to the apportionment of the company's assets, right of vote at general meetings, right of conveyance of his title.

Article 106

The dividend must bear only on the net profit resulting from a genuine balance sheet and which remains available after providing for the legal and statutory reserve funds.

Article 107 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968 Every fictitious dividend distribution involves the civil liability of the Directors towards whosoever may be prejudiced therefrom. Liability of the account commissioners is equally involved if they have failed in their supervisory duties.

Penal liability of these very persons may be involved if dividends are distributed in the absence of any Balance Sheet or by virtue of a report on fraudulent stock-taking, Balance Sheet, or Profit and Loss Account. Their penalty shall be that of swindling.

Article 108

Shareholders who have received these dividends are not bound to refund them unless their dishonesty or their serious offence equivalent to fraud has been proved.

Action for recouping, which may be taken against them, either by the company, or by the company's creditors, shall force them to bear, in addition to the sum unduly received, the interests on this sum from the day of payment.

This action is time-limited to five years dating from distribution.

Article 109

Sums distributed in conformity with clauses of fixed interests paid to shareholders in all eventualities and posted to the company's overheads do not constitute fictitious dividends.

However, to be in order, such a clause is submitted to the following conditions : the rate of interest may not exceed 4 per cent; the application time of the clause is of a maximum five years; the interests paid shall be comprised in the expenditures of the first establishment to be written off as such in the balance sheets showing a profit.

This clause must be published in accordance with regulations, under penalty of nullity.

Article 110

In principle, all the shareholders of the same company must enjoy the same rights and participate in the same advantages.

However it is permitted to create, by a resolution of an extraordinary meeting deliberating as shall be indicated hereinafter, preference shares whenever the Articles are not formally against them.

Article 116

Every shareholder is entitled to take part in the different meetings which are held for the formation and the operation of the company, and to vote therein with a power, in principle, equal to the number of shares he holds.

Article 117

However, paid up shares, existing under registration in the name of the same holder for at least the last two years before each meeting is convened, shall give title to two votes each.

Registered shares are supposed, from the point of view of time elapsed, to have belonged to the same holder, when they have been acquired through inheritance, donation or legacy.

Article 118

Without prejudice to the restrictions on contribution shares and the directors' guarantee shares, every shareholder is totally free to convey his title to an acquirer who shall assume his partnership's rights and obligations.

However a preemption right may be stipulated in the Articles, on behalf either of the partners or of a number of them, or of the company itself, on condition that it is used within a time-limit and payment terms determined by statute. But the exercise of this right should not degenerate into abuse, either by suppressing practically the negotiable character of the share, or by causing the shareholder a serious prejudice.

The preemption right stipulated on behalf of the company may not be exercised by the company except through reserves.

Article 119

The holder of a share which is not fully paid up is required to answer the company's call for funds.

Are severally held for the payment of the unpaid (balance) all those who have held the share before him, but only for the two-year period following the transfer.

The share shall remain registered until it has been fully paid up.

All statutory clauses contrary to the provisions of the present article would be null.

Article 120

The old shareholder who has been forced to pay up a security conveyed by him shall be legally subrogated in the company's rights and proceedings against all subsequent holders of the security.

Article 121

In cases of default of total payment, the company may proceed, after serving summons on the defaulting shareholder, with hammering at the Exchange at the latter's expenses, risks and perils.

If the proceeds of the sale are below the amount of the payment due, the shareholder shall be held the excess.

Section 2 - Debentures

Article 122 (as modified by the Law promulgated by Decree NO 9798 of ----- (4 May 1968

The company may issue negotiable and indivisible debentures, of an equal nominal amount, delivered to subscribers as counterpart for the sums loaned by them.

There can be no issue of debentures until all the capital subscribed by shareholders has been paid up.

Directors or managers who shall have issued or allowed the issue of debentures in violation of the preceding paragraph shall be under penalty of a fine of between 1,000 and 5,000 Lebanese Pounds, and such debentures shall be null.

Article 123

The debenture-holder is entitled to a fixed interest payable at periodical intervals and to the refund of his capital out of the company assets.

Article 124 (as modified by Decree-Law NO 54 of 16 June 1977)

With due regard to the rules applicable on real estate credit companies, no debentures may be issued for an amount in excess of double the company's capital still available following the last approved balance sheet.

Article 125

Even when provided by the Articles, the issue of debentures may not take place except after the regular deliberation of a general meeting.

Article 126 (as modified by the Law promulgated by Decree NO 9798 of ___-___-__ (4 May 1968

Prior to any publicity preceding issue, company directors are required under penalty of a fine of between 1,000 and 5,000 Lebanese Pounds to insert in the Official Gazette, as well as in an economic newspaper and a local daily, a notice bearing the signature and address of each one of them and indicating notably; the date of the resolution of the general meeting authorizing the issue; the number and value of the debentures to be issued; the rate of interest; the time, the conditions and the guarantees of refund; the amount of the

capital and of its paid-in portion; the importance of the contributions in kind; the existence of a clause of fixed interest; the results of the last Balance Sheet certified true.

Article 127 (as modified by the Law promulgated by Decree N° 9798 of -----(4 May 1968

The subscription form, the certificate of debentures as well as the posters, circulars-letters and prospectuses must reproduce the statements of this notice, with reference to the issues of the newspapers wherein it was published.

Article 128

Those who would have subscribed to debentures, without compliance with these formalities, may have their subscription cancelled.

Article 129 (as modified by the Law promulgated by Decree NO 9798 of -----(4 May 1968

Any debentures issue, once realized, must be mentioned in the trade register through the good offices of the Directors.

If they fail to comply with this formality, they shall be under penalty of a fine of between 500 and 2,500 Lebanese Pounds.

Article 130

If the debentures have not been initially fully paid up, and if calls for fund remain unanswered, the company may have recourse to the hammering-down procedure at the Exchange.

Article 131

Debentures on mortgage may be issued. The issue of such securities is governed by the High Commissioner Order No. 77/L.R. of 26 May 1933.

Article 132 (as modified by the Law promulgated by Decree NO 9798 of -----(4 May 1968

Premium debentures must be duly authorized by the government following the proposal of the Minister of National Economy.

Article 133

Debentures may be issued with refund premiums which are paid at the time the security is redeemed.

Article 134

The refund of debentures is effected according to the terms laid down at the time of issue, and the company is not entitled to delay or advance its period (of maturity).

Article 135

Notwithstanding clauses to the contrary, debenture-holders are gathered in a group which is self-formed at every issue and whose decisions, taken by majority vote, are compulsory upon all.

Article 136

After the closing of subscription, the issuing company shall convene a general meeting of debenture-holders, who shall approve the statutes of the group and who shall appoint their representatives.

Article 137

The general meeting of debenture-holders may be convened whenever it is deemed necessary, either by a group of holders representing 1/20 of the debentures, or by the joint-stock company.

Article 138 (as modified by the Law promulgated by Decree N° 9798 of
(4 May 1968

The meeting shall be convened by two consecutive insertions, within eight days of each other, in the Official Gazette, in an economic newspaper and in a local daily, indicating the subjects on the agenda which, alone, may be debated.

Article 139

Quorum and voting shall be governed by the rules laid down in articles 193 and 195 concerning shareholders general meetings.

Article 140

Representatives of a debenture-holders group may validly take all measures designed to safeguard the letter's rights.

Article 141

But such measures as may be intended to grant an extension of the refund time-limit, or to reduce either the interest rates, or the capital of the debt, or the sureties matching it and, broadly speaking, all measures sacrificing the rights of debenture-holders, shall not be adopted except by the debenture-holders general meeting in conformity with the conditions of quorum set in the first paragraph of article 193 and by a two-thirds majority of the attending holders or their proxies.

Article 142

Debenture-holders' proxies shall be entitled to attend the shareholders' general meetings, but without debating power, after having obtained the same communications as the shareholders.

Article 143

When any company has continued to pay interests or dividends for shares, debentures or other securities repayable through drawing, it may not repeat these sums, when the security is presented for refund, notwithstanding any clause to the contrary.

CHAPTER 3 - Operation of joint-stock companies

Section 1 - Directors

Article 144 (as modified by the Law promulgated by Decree N° 9798 of --_ (4 May 1968 The management of the joint-stock company shall be entrusted to a Hoard of Directors consisting of three members, at least, and of twelve members, at most.

Without prejudice to what could be provided by special legislation for certain joint-stock companies, the majority at least of the members of the Board of Directors must be of Lebanese nationality.

The Hoard of Directors must appoint one of its members for the chairmanship.

Article 145

Their remuneration consists either of an annual stipend, or in tallies for attendance, or a percentage of the net profit, or a combination of these various advantages.

The profit on which the Directors' percentage is based must comprise, in principle, only the net product of the exploitation which is the object of the company.

Thus portfolio proceeds may not be included but exceptionally and by virtue

of a special resolution of the general meeting renewed every year..

Article 146 (as modified by the Law of 23 November 1948)

Directors are elected by the shareholders' general meeting. However, the first Directors may be designated by the company Articles.

If, in the intervening period between two annual meetings, the number in office is reduced by death, resignation or any other cause, below half the minimum number set by the Articles, or below three, the remaining Director must convene a general meeting within a maximum time-limit of two months in order to provide the vacant posts.

Article 147 (as modified by the Law promulgated by Decree N° 14028 of ----- (16 March 1970

The general meeting elects the members of the Hoard of Directors from among those shareholders who hold a minimum number of shares as fixed in the Articles. Such shares shall remain registered; they shall be struck with the "not negotiable" stamp and deposited in the company's treasury.

They shall be assigned to provide security for the individual and collective liability of the Directors for all acts of mismanagement of which they might be guilty.

Article 148 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

None may be called to directorship if he has been declared insolvent and has not been rehabilitated over the last ten years at least, convicted in Lebanon or abroad within the last ten years at least for a crime or offence or for attempted crime or offence described as forgery, theft, swindling, breach of trust, for an offence liable to sanctions for swindling, or embezzlement of funds or securities, for the mala fide issue of unfunded cheques or for attempt against the State financial security within the provisions of articles 319 and 320 of- the Penal Code, or for receiving goods acquired through these crimes.

The same conditions apply to representatives of juridical persons sitting on the Board of Directors.

Article 149

Directors by virtue of the statutes are appointed for a maximum period of 5 years; those who are appointed by the shareholders' meeting are for a maximum period of three years, subject to re-election.

The statutes may provide for the partial renewal of the Board.

Article 150

Notwithstanding any clause to the contrary, Directors are liable to dismissal ad nutum.

Article 151

In case the dismissal should have been decided by the shareholders' general meeting, while the matter was not included on the agenda, such a resolution shall not take effect except after it has been confirmed by a new meeting whose agenda shall state the object. This second meeting shall be convened by the supervisory commissioners, within two months of the first. It shall be chaired by one of the commissioners.

Article 152

Any change effected in the composition of the Board shall be mentioned in the trade register by the Directors.

Article 153 (as modified by the Law promulgated by Decree No 9798 of (4, May 1968 and by Decree-Law N° 54 of 16 June 1977

The Chairman of the Board of Directors shall discharge the duties of General Manager. The Chairman shall be at liberty to propose that the Board appoints a General Manager other than himself. However, such Manager shall discharge his duties on behalf of the Chairman and under his personal responsibility.

The Chairman of the Board of Directors may appoint a consultative committee made up of members of the Board or managers from outside the Board, or members of Board and managers.

Members of this committee shall be charged to look into matters referred to them by the Chairman. The committee's findings shall be binding neither on the Chairman nor on the Board.

In case the Chairman should find himself definitively prevented from discharging his duties, he may delegate such duties, wholly or partially, to a Director, for a limited period of time.

In case the Chairman should find himself definitively prevented from discharging his duties, the Board of Directors shall deem him resigning and appoint another.

Directors may fill administrative posts in the company for a salary which shall be fixed by the Board of Directors, but in this event they shall not have the benefit of the provisions of the Code of Labor, except if they have been on the payroll of the company for at least two years by the time they accede to the post of Directors.

Article 154 (as modified by the Law of 15 February 1957)

None can exercise more than four chairman's mandates, provided that General Managers are appointed in two out of the four companies that he chairs.

None can be Director in more than six companies, whose head office is in Lebanon.

If a Director is over 70 years of age, he may not hold directorship in more than two companies.

Is considered chairman or Director of a single company whoever is chairman or Director of several insurance companies operating under the same style.

Article 155 (as modified by the Law of 23 November 1948)

The chairman of the Board is reputed a trader for the enforcement of article 135 only in the following cases

The commercial Court must apply on him those forfeitures which the law attaches to insolvency if the company is declared insolvent and that this is ascribable to fraud or to serious offences in the management of the company's affairs.

If the chairman's functions have been delegated wholly or partially to a Director, as provided under article 153, the latter incurs, in so far as this delegation is concerned, the responsibilities defined by the present article, in lieu of the chairman.

Article 156 (as modified by the Law of 23 November 1948)

The attendance or representation of at least half of the Directors is required for the validity of the Board's resolutions.. A Director is forbidden to represent more than one other Director.

Article 157 (as modified by the Law promulgated by Decree NO 9798 of --_----- (4 May 1968

The Board of Directors has the most extensive powers to carry out the resolutions of the general meeting and to transact such operations as are a normal part of the business management and which are not to be considered as current affairs. These powers have no other limitations or restrictions, except for what may be edicted by law and company Articles.

The chairman of the Board of Directors and, eventually, the General Manager or the Managing Director in pursuance of sub-paragraph 4 of article 153, representing the company before Third Parties, assume the execution of the resolutions of the Board and the dispatch of the company's current business, such as may be determined by the Articles or usage, under the supervision of the Board of Directors.

The Board of Directors may, for a short and limited period, delegate certain of its powers to its chairman or to the Deputy General Manager, such delegation being subject to registration on the trade register.

The company is held for the acts of its representatives performed within the scope of their powers; beyond that scope it shall be held only for such acts as may be authorized or approved by the shareholders' general meeting.

Article 158 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Any deal concluded between-the company and a Director is subject to the prior approval of the general meeting, whether such deal is transacted directly or through a middleman. Acts covering day-to-day operations between the company and its customers are exempted from this provision.

Equally submitted to this authorization is any transaction passed between the company and another establishment which would be owned by one of the Directors and in which the latter would be a joint partner, manager or director: The Director who should be in- one of these cases is required to advise the Board of Directors accordingly.

The Board of Directors and the supervisory commissioner submit - separately -to the general meeting a report on the transactions to be concluded, and the general meeting shall take its decision in the light of these two reports. Transactions so authorized may not be incriminated except in the event of concealment.

Authorization must be renewed every year if it concerns transactions involving long-term consecutive commitments.

Directors are forbidden, except when they are juridical persons, to obtain in their favor from the company, in any manner whatsoever, an open current account, a guarantee or an endorsement of trade Bills made out to the order of Third Parties. Such prohibition does not apply to banks if the aforementioned acts constitute normal operations within the scope of these banks.

Article 159

Directors may not, without special authorization renewed every year, take part in the management of a similar company.

Article 160

Directors are forbidden to take an interest in all companies, associations, syndicates or groupings of whatever description, which would undertake operations designed to influence in the Stock Market all sorts of securities issued by the company.

Article 161

Directors must establish, at the end of the first semester of every financial year, a summary statement of the liabilities and assets, and, at the end of the year, a stock-taking, a balance sheet, and a Profit and Loss Account.

Article 162 (as modified by the Law promulgated by Decree NO 9798 of __-____-__- (4 May 1968

The Balance Sheet must be clear and methodical. Any change from one year to another in the method of its establishment or presentation is to be accompanied by special explanations in the report of the account commissioners.

Article 163 (as modified by the Law promulgated by Decree N° 9798 of __-____-__- (4 May 1968

The Balance Sheet must comprise all the postings which shall be determined by decree and, in all cases, reveal the amount of holding interests which the company may have in other enterprises either in the form of shareholding, or in a different form and, especially, the amount of advances which would have been granted to subsidiaries.

Article 164

It is for the Directors to convene the shareholders' general meetings.

Article 165

Directors are required to setup reserve funds, by diverting 10 per cent of the net profit,-until the fund has reached one-third of the company capital.

Article 166

Directors are responsible, even towards Third Parties, for all fraudulent acts and all infringements to the Law and the Articles.

Proceedings open to the injured party are individual; they may not be checked, even in relation to shareholders, by a vote of the general meeting granting final discharge to the Directors.

Article 167

Directors are, on the other hand, responsible to shareholders for their mismanagement.

As a general rule, the Directors' liability for mismanagement is not involved in relation to Third Parties. However, in the event of insolvency or juridical liquidation of the company, demonstrating insufficient assets, the commercial Court may, either on the request of the Receiver or judicial Liquidator, or that of the Public Prosecutor's office, or even officially, decide that the company's debts shall be borne, up to an amount it shall determine, by the Directors and all other persons vested with a management or supervisory mandate, with or without joint (liability). In order to clear their responsibility, they must produce proof that in their management of the company's business they have exercised the diligence of a salaried proxy.

Article 168

The case to be brought against the Directors by virtue of the first paragraph of the preceding article, lies with the company. But in the event of the latter's inertia, any shareholder may take proceedings in its place within the limit of his interest in the company.

Article 169

Final discharge, if it is to be used as defense, must always be preceded by a statement of the company's account and the commissioners' report; it only covers facts of management with which the general meeting may have been acquainted.

Article 170

Responsibility may be either individual and proper to one of the Directors, or common to all, in which case they shall be jointly held for the payment of indemnity, unless a number of them has protested against the resolution taken in spite of them and has their objection inserted in the minutes.

The final apportionment among the responsible parties shall be made according to the part assumed by each one in the offence.

Article 171

Proceedings for liability are limited to five years dating from the meeting during which the Directors were required to account for their management.

Section 2 - Supervisory commissioners

Article 172

The constituent meeting, then the ordinary meetings appoint one or several supervisory commissioners, whose functions are for a one-year term, but who may be returned.

Article 173

A complementary commissioner, selected from the panel of chartered accountants approved by the Court of primary jurisdiction, with the same powers and remuneration, is seconded to them.

He is designated by order of the Court of the company's head office, such order to be uttered on the request of the Board within two months following the formation of the company, their every year, within the month following the holding of the ordinary general meeting.

Article 174

The supervisory commissioners exercise a permanent control over the company's operations. They may require to be acquainted with all deeds, all documentary evidence in support of accounts, demand all information from the Directors.

Stock-taking, the balance sheet and the Profit and Loss Account shall be put at their disposal fifty days, at the latest, prior to the general meeting.

Article 175

The commissioners report to the general meeting on the situation of the company, the balance sheet, the accounts tabled before them by the Directors and the proposed dividend distribution.

Failure (to produce) this report would nullify the deliberation of the general meeting approving the accounts.

Article 176

Commissioners are required to convene the general meeting whenever the Directors omit so doing, in cases specified by law or by the Articles.

Likewise they are empowered to convene the meeting in all cases they deem it needful.

They are even bound to do it, when they are so required by a group of shareholders representing one-fifth of the company's capital.

Article 177

They are not to take any interest in a group whose object would be to influence Stock Exchange dealings involving any of the company's securities.

Article 170

They commit their responsibility, either individually or jointly, even towards third parties, whenever they commit a supervision offence, subject to the five-year time-limit.

Section 3 - Shareholders general meetings

Article 179

There are a shareholders' constituent meeting, ordinary meetings and extraordinary meetings.

Article 180

Power to convene, in respect of ordinary and extraordinary meetings, lies as a matter of principle with the Directors, and, in respect of the constituent meeting, with the Founders.

Supervisory commissioners may substitute for Directors in the aforementioned cases.

Article 181

Shareholders who cannot attend a meeting may have themselves represented by proxies, who must themselves be shareholders, except as regards the legal representatives of shareholders deprived of legal capacity.

Article 182

An attendance sheet is kept, wherein are mentioned the names and domiciles of shareholders attending and represented, the number of shares each of them holds and the number of votes relating to these shares.

This sheet shall be deposited in the company's head office and communicated to any applicant who shall prove his shareholding quality.

Article 183

An office shall be set up, composed of at least a chairman and a secretary.

Article 184

The meeting may debate only matters on the agenda, without prejudice to unforeseen or urgent matters which may be raised in the course of a meeting.

Article 185

Any shareholder, whatever the type of shares he holds, and even though he possess only the provisional voucher, may cast his vote.

Article 186

Without prejudice to the double voting power which is the privilege of holders of registered shares for at least two years beforehand, as was explained above, each shareholder has as many votes as the shares he holds or represents, without limitation thereon, unless such limitation is formally provided by the Articles, and on condition it is identical for all shares, irrespective of the category to which they belong.

Article 187 (as modified by the Law of 23 November 1948)

The shareholder is precluded from voting in his personal name or as proxy, whenever the matter concerns vesting him with a specific advantage or that the meeting is required to take a decision in respect of a dispute between himself and the company.

Article 188

Debenture-holders' representatives attending a meeting have no voice in the matter.

Article 189

Upon the request of a single shareholder, secret ballot is compulsory in all matters of a personal character, such as the revocation of Directors or the questioning of their responsibility.

Article 190

When the attending shareholders do not think themselves sufficiently acquainted with the matters submitted for debate, the meeting shall be deferred to eight days, if one quarter of the members at the meeting so requires.

Article 191

Minutes of the sitting must be drafted and signed by the members of the office.

Article 192

The decisions taken in accordance with regulations, the conditions of quorum and majority proper to each meeting, without fraud or diversion of power, are binding on all shareholders even absentees and dissidents.

Article 193 (as modified by the Law promulgated by Decree NO 9798 of -_____---- (4 May 1968

The constituent meeting deliberates validly only when it is composed of the company capital. If this quorum is not secured, a new meeting may be convened following two insertions made, at a week's interval, in the Official Gazette, an economic newspaper and a local daily. Convocation states the agenda of the preceding meeting and the results obtained. This second meeting deliberates validly if it is composed of shareholders representing at least fifty per cent of the company capital.

If this quorum is not yet secured, a third assembly representing only ---third of the company capital,. at least- may I° '--

Article 194 (as modified by the Law promulgated by Decree N° 9798 of _____ (4 May 1968

As regards the verification of contributions in kind, quorum must be calculated exclusively on the shares subscribed or held by shareholders other than those contributing in kind.

Article 195 (as modified by the Law of 23 November 1948)

In the meetings referred to in articles 193 & 194, resolutions are passed by a two-thirds majority of the shareholders attending or represented.

Article 196

Ordinary meetings are convened annually, at the end of the financial year, to decide on the Directors' accounts and dividend distribution and to appoint new supervisory commissioners, as well as Directors when their term of office has come to expiry.

They may convene also in the course of a financial year in unforeseen circumstances, provided that this does not concern a modification of the Articles.

Article 197 (as modified by the Law promulgated by Decree N° 9798 of ----- (4 May 1968

Subject to the nullity of subsequent deliberations, any shareholder, any debenture-holder may have access at the head office to stock-taking, the Balance Sheet, the Profit and Loss Account, the list of shareholders, the report of the Board of Directors, the report of the supervisory commissioners, the consolidated Profit and Loss Account and the consolidated Balance Sheet if any exists, and to the report of the supervisory commissioners on these consolidated Account and Balance Sheet, within the-fifteen clear days preceding the annual meeting. Directors are required to complete the list of shareholders as and when stocks to Hearer are deposited.

Interested parties may take or have themselves delivered copy of these documents, at their expense, barring the inventory (stock-taking).

The company is not authorized to levy on such copies anything more than the charges set down in the price-list established by the Ministry of National Economy.

Article 198

The ordinary meeting is to be composed of a number of shareholders representing one-third at least of the company's capital.

If such quorum is not obtained, a second meeting shall be convened, and it deliberates validly, whatever portion of the capital is represented.

Article 199 (as modified by the Law of 23 November 1948)

In all cases where no contrary provisions exist, resolutions are passed by absolute majority of the number of shareholders attending or represented.

Article 200

Article 201 (as modified by the Law of 23 November 1948 and by Decree-Law ----- (N° 54 of 16 June 1977

By adhering to the provisions of article 80 of the following rules, extraordinary meetings shall be empowered to modify the Articles of Associations in all their clauses, on condition that the nationality of the company is not changed, that the shareholders' commitments are not increased, and that Third Parties rights are not impaired.

Article 202 (as modified by the Law of 23 November 1948) '

Regarding the resolutions involving modification of the company's object or form, quorum must not be less than three-quarters of the company's capital.

Article 203

Concerning all other permissible modifications, quorum shall be two-thirds, half or at least one-third of the capital in the course of three consecutive meetings, convened as constituent meetings.

Article 204 (as modified by the Law of 23 November 1948)

In extraordinary general meetings, resolutions are passed by a two-thirds majority of the shareholders attending or represented.

Article 205 (as modified by the Law promulgated by Decree N° 9798 of ____ -____ (4 May 1968

Increase of the company capital may be effected only after the total initial capital has been paid up.

Article 206 (as modified by the Law promulgated by Decree NO 9798 of ----- (4 May 1968

The legal rules governing the formation of joint-stock companies must be observed in what regards the issue of new shares, subject to the same sanctions for capital increase, of fine and liability chargeable on the officiating Directors, on shareholders whose contributions have not been approved in accordance with regulations, on supervisory commissioners and on experts.

Article 207

If new shares are subscribed by others than the old shareholders, in spite of

the latter's option, and that the company possesses a reserve capital, such shares shall be issued at a price higher than their nominal value, with excess corresponding to participation to reserves.

Article 208

Reduction of the company's capital may not be voted, except without prejudice to Third Parties' rights.

In consequence, deliberation of the general meeting deciding thereon shall not be executory except after its publication in the Official Gazette and on condition that, within three months, creditors have not opposed it.

Opposition shall suspend the reduction of capital, until the Court has decided whether or not the reduction impairs Third Parties' rights.

Article 209

Any irregular capital reduction, effected via the purchase by the company of its own shares, whether this is paid for out of the company's capital or the legal reserve, commits the Directors' liability.

Article 210

The merger of several companies shall be decided by deliberation in general extraordinary meetings of each of these companies.

Article 211

In the event of the formation of a new company through the amalgamation of the older ones, the legal rules of formation must be observed.

Publicity formalities shall be met, in as such as the advance dissolution of the various companies is concerned as it is in respect of the creation of the new company.

Article 212

In case of a take-over of one company by another, the annexed company shall publish its advance dissolution; the annexing company shall submit to the rules of fundamentals and form governing capital increase.

Article 213

Provisions relating to Third Parties' rights, in the event of capital reduction, are applicable on all deliberations deciding a merger or a take-over bid.

Article 214

Legal rules relating to conditions governing general meetings deliberations are subject to nullity of the irregular decision, at least whenever it is established that such irregularity has actually distorted the results obtained.

This nullity may be invoked by all interested parties.

It is covered when the deliberation is righted into order or by a one-year time limitation dating from the day of the meeting.

Article 215

Shall be under the penalties provided for swindling, without prejudice to damaged, all those who, in a general meeting of share- or debenture-holders, shall have fraudulently created or attempted to create a fictitious majority, notably by declaring themselves the holders of shares belonging to rightful claimants who cannot vote, or by securing pledges of special advantages in the event of their voting in one sense or their abstaining from voting, or by using such powers as may be acquired for a consideration or by any other illegal means.

Accomplices in these dealings shall be under the same penalties.

CHAPTER 4 - Dissolution of joint-stock companies

Article 216 (as modified by the Law of 23 November 1948)

Joint-stock companies are dissolved by the termination of the period set or of the enterprise for which they have been contracted, or through impossibility of continuing the enterprise.

They are equally dissolved by the will of the partners expressed in a general meeting within the terms provided under articles 202 & 204, as well as in all the specific cases referred to in the Articles.

In the event of the loss of three-quarters of the company's capital, the Directors are required to convene a general meeting, for the purpose of deciding if the situation calls for the untimely dissolution of the company, the reduction of capital or any other appropriate measure.

Article 217

At all events, whether the Directors have neglected the convening of a meeting, that this may not have been held due to short quorum, or that the meeting may have discarded dissolution, any shareholder retains the right to put the matter before the Court.

Article 218

Once the decision is taken, this must be published whatever it may be.

Article 219

In principle, liquidation is effected in accordance with the rules governing partnerships.

Article 220

If they are not so designated by the Articles, the Liquidators shall be appointed by a vote of the ordinary general meeting, unless the case calls for advance dissolution in which event the extraordinary meeting appoints at the same time the Liquidators.

If the general meeting fails to reach a decision, appointment shall lie with the Court.

Article 221

The supervisory commissioners, to whom is seconded an expert appointed by the Court, remain in office and shall control the liquidation.

Article 222

The Liquidators shall receive the Directors' management accounts from the last balance sheet approved by the general meeting until the opening of liquidation. They shall approve them or submit to the Court such difficulties as might arise.

Article 223

If the liquidation lasts for more than one year, the Liquidators are required to strike the annual balance sheet and publish it.

Article 224

At the end of their operation, the Liquidators shall strike the final balance sheet, which shall apportion to each shareholder his share in the distribution of the company's assets.

Article 225

The supervisory commissioners shall draft a report on the accounts submitted by the liquidators. The ordinary general meeting shall approve these accounts and give final discharge to the Liquidators; otherwise it shall contest the accounts and the issue shall be brought before the Court.

TITLE IV - LIMITED PARTNERSHIP COMPANIES

Article 226

The partnership company which operates under a style comprises two categories of partners : the financed partners, who alone may be in charge of management and who are individually and jointly held for the payment of the company's debts; the sleeping partners, leasers of funds who are held only up to the amount of their contribution.

Article 227

There are two sorts of partnership companies : the simple partnership company and the partnership limited by shares.

Article 228

The partnership company manifests itself to the public under a style comprising exclusively the names of the financed partners. When one financed partner exists, his name may be followed by the words "& Co."

The sleeping partner who should allow the insertion of his name in the company style, would be held towards bona fide Third Parties as financed partner.

Article 229

The financed partners, whether all manage together, or one or several manage for all, are under the same juridical statute as the member of a joint liability partnership.

Article 230

The sleeping partner may not intervene in the management of the company in relation to Third Parties, even by virtue of a power of proxy.

In the event of infringement to this prohibition, he would be held, indefinitely and jointly with the financed partners, for commitments resulting from his management; his liability, according to the number or seriousness of his interference, may be either limited to the consequence of the operations concluded, or extended to the whole of the company's liabilities.

However, the supervision exercised over the Manager's operations, the advice and counsels which are given them, the authorization which is conferred on them to transact business in excess of their powers, do not constitute acts of interference.

Article 231

The partnership company is governed by the rules of formation and dissolution applicable to private companies, even in what concerns sleeping partners.

Article 232

In partnerships limited by shares, the company's capital is divided into shares, and the sleeping partner is under the same legal statutes as the shareholder in joint-stock companies.

Article 233

Partnership companies limited by shares are, whatever their object, submitted to the laws and usages of trade.

Article 234 (as modified by the Law of 23 November 1948 and by Decree-Law ----- (No 54 of 16 June 1977) The legal regulations relating to joint-stock companies shall apply to the formation and operation of partnerships limited by shares.

Article 235

All the obligations imposed by law on Directors of joint-stock companies apply to Managers of partnership companies limited by shares.

Article 236

Supervisory commissioners must be at least three in number, including the chartered accountant designated by Court Ordinance. They may not be selected out of the financed partners.

They deliberate in meetings and convene whenever control verification must be exercised.

The Articles set the duration of the term of office of supervisory board. However, the first Board is appointed only for one year.

Article 237

All the resolutions of general meetings; except those relating to the approval of management, are presumed to be approved by the financed partners, such approval to be expressed according to the rules laid down in the Articles.

TITLE V - COMPANIES WITH SLIDING CAPITAL (COOPERATIVES)

Article 238

Any company may set down in its Articles that its capital is variable; it shall then be submitted, alongside its general rules which are proper according to its special form, to the provisions of the following articles.

This clause of the Articles must be published.

Article 239

The capital of a company with sliding capital may, at any time, be increased following the adherence of new members or new payments effected by the partners, or reduced as a result of the total or partial withdrawal of contributions by partners.

Except for contrary provisions in the Articles, such capital increases or reductions are effected freely, and are exempted from publicity.

Article 240 (abrogated by Decree-Law N° 54 of 16 June 1977)

Article 241

Articles shall determine a sum below which capital may not be reduced by the refund of contributions or withdrawals by partners.

This sum may not be less than one-fifth of the company's capital.

This provision of the Articles is subject to publicity.

Article 242

One clause of the Articles may confer on the general meeting the right to decide, by the majority vote required for the modification of the company's Articles, that one or several of the partners shall no longer be partners in the company, without however being deprived of their acquired rights on the company's reserves.

Article 243

The partner who shall no longer be part of the company, either by his own volition, or as a result of a resolution of the general meeting, shall be held for three years towards the partners and Third Parties in all commitments existing at the time of his withdrawal.

Article 244

If the company has been vested with shareholding form, these shares are to remain registered even after they have been paid up.

The Articles may empower the general meeting or the Board to oppose the conveyance of these securities, on condition however that such veto is not abusive in character.

Article 245

Whatever the form of the company, it shall not be dissolved by the withdrawal, the failure, the ruin, general disability or the death of one of the partners; it shall continue, as a matter of right, among the other partners.

Article 245

The provisions of the present code do not apply to agricultural cooperative societies, except in so far as they do not derogate the special legislations governing these societies.

TITLE VI - PARTICIPATING COMPANIES

Article 247

A participating company distinguishes itself from other trading companies in that it has existence only among the parties concerned and is not intended to be known by third parties.

Article 248

The parties' agreements freely set down the partners' reciprocal rights and obligations, their participation to profit and loss, provided that the general principles of the company's contract are applied.

Article 249

The existence of these agreements may be established according to the modes of proof accepted in commercial matters.

Article 250

Participating companies are not submitted to the publicity formalities prescribed for all other trading companies.

Article 251

The participating company does not constitute a juridical person.

Article 252

Third Parties have no judicial links except with the one partner with whom they have contracted.

Hut the contracting company which should reveal itself to Third Parties may be treated as a de facto company in relation to them.

Article 253

No transferable and negotiable securities may be issued on the partners' behalf.

TITLE VII - LIMITED LIABILITY COMPANIES

(See Decree-Law NO 35 of 5 August 1957)

HOOK III

GENERAL COMMERCIAL CONTRACTS AND CERTAIN COMMERCIAL CONTRACTS

TITLE I - GENERAL PROVISIONS

Article 254

The proof of commercial contract is not, in principle, submitted to the restrictive rules governing civil contracts. Subject to the exceptions resulting from specific legal provisions, they may be established by all modes of proof which owing to practices or circumstances the judge believes must be admitted.

Article 255

In commercial matters, the date of private written (papers) may be established in respect of third parties by all modes of proof.

The date of negotiable securities and their endorsement is held true until proof to the contrary.

Article 256

The co-debtors of a commercial obligation are presumed to be jointly committed.

The same presumption is valid for the sureties of a commercial debt.

Article 257

In commercial matters, the legal rate of interest is set at 9 per cent.

Article 258

Quotations at the Exchange and the average market prices are evidence of the fair price and the current price, except for a contrary agreement.

Article 259

No commercial provision of work or service is presumed given free of charge. When no wage, brokerage or commission has been fixed by the parties concerned, the usual professional remuneration is in order.

Article 260

In commercial matters, the judge may not grant grace periods except under very exceptional circumstances.

The party which has judicially applied for canceling may no longer exact execution; but the party which has formulated a request for execution may apply for canceling in lieu thereof.

Performances after proceedings for canceling have been taken are no longer valid.

Article 261

In contracts for successive performances, default in the execution of a performance entitles the party which has honored its obligations to apply for the canceling of all the non executed performances, without prejudice to its title for damages.

Article 262

In trading matters, action is lost by time limitation after the lapse of ten years, whenever no shorter term has been set.

If in the meantime a sentence of conviction has been pronounced, the time limitation of the action resulting from the adjudicated subject-matter is in all cases of ten years.

Article 263

The sale, the loan, the transport contract, the insurance contract and other contracts unregulated by the present code are governed by the code of obligations and by usage.

To the transport contract shall additionally apply the special laws relating to public transport enterprises.

Exchange dealings, involving either securities or goods, are regulated by those provisions concerning diverse types of contracts from which they borrow the forms or in which they are cancelled, as well as by those special rules of trade exchanges.

Contracts relating specifically to sea-borne trade are the subject of special provisions in the merchant shipping law.

TITLE II - TRADE PLEDGE

Article 264

The trade pledge, subject to the following provisions, is that which stands security for a trade debt.

Article 265

The pledge may, subject to the following reserves, be established by every means of proof that the judge shall deem himself bound to accept.

The pledge of a registered security is ascertained by conveyance by way of guarantee stated equally on the registers of the issuing establishment and on the security itself.

That of the security "To Order" is established by endorsement expressed "as set in pledge" or by equivalent wording.

As regards ordinary claims to a named person, their pledge requires in all cases a written deed with certified date and notified to the debtor of the claim under pledge.

Article 266

The pledge contract produces no effect, as such, if the object of the pledge remains within the debtor's possession so that it would appear to Third Parties' eyes as being part of his free patrimony and as likely to procure fresh credit. It must be remitted to and remain in the creditor's possession of a Third Party which shall hold it on his behalf.

Such conveyance of possession is reputed sufficiently realized by the handing over of the keys of the locked premises which contain the goods or objects under pledge, provided that the premises do not carry the debtor's signboard, or by the handing over of a representative title as may be required by trading practices.

Article 267

The pledge is bound to remit to the debtor who requests it a receipt specifying the nature, the quality, the quantity, the weight, as well as all distinguishing signs of the goods received in pledge.

Article 268

If the pledge consists of fungible things or titles, the contract remains, even though such things or titles have been replaced by things or titles of the same kind.

If the things or titles are non fungible, the debtor may also, with the creditor's consent, withdraw and replace them by others, at least if the initial deed of pledge has provided for such right.

Article 269

The creditor is bound to exercise on the debtor's behalf all the rights inherent to the goods or titles received in pledge.

If the case concerns a credit title with option rights, the debtor who wishes to avail himself of the option must provide the creditor with the necessary funds, at least two days before the time-limit set by the option.

Article 270

When unpaid up titles have been tendered in pledge, the debtor must, if a call for further payments .is made, provide the creditor with funds at least two days before payment is due, failing which the pledgee may proceed with the sale of the titles.

Article 271

In the event of default of payment on maturity, the creditor may, eight days after serving summons to the debtor and the Third Party pledge leaser if any, lodge a petition with the Head of the executive office, who shall proceed with the public sale of the objects under pledge. The creditor shall be paid by preferential right out of the proceeds.

Any clause of the pledge contract which should authorize the creditor to appropriate the pledge to himself or to dispose of it without the aforementioned formalities, is null.

TITLE III - POWER OF PROXY, COMMISSION AND BROKERAGE

CHAPTER 1 - Commercial proxy

Article 272

Proxy is commercial when it relates to trading operations.

It assumes the more specific name of commission and is regulated by the provisions of the next chapter when the authorized agent is to act in his own name or under a company name on behalf of his employer.

When the authorized agent is to act in the name of his employer, his rights and obligations are determined in Book VIII of Part II of the Code of Obligations.

Article 273

In trade matters, the authorized agent is always entitled, barring contrary stipulations, to a remuneration which in the absence of a conventional arrangement is determined by professional rates, usages or circumstances.

Article 274

Proxy for trade, unless it involves general powers, does not authorize non-trading acts except by virtue of an express declaration.

Article 275

The authorized agent who has received instructions only for part of the operation is presumed to have elbow room for the surplus.

Article 276

The authorized agent is bound to pay the interests on the sums belonging to his employer, as from the day when in compliance with his orders, he should have remitted or consigned such sums.

Article 277

When, additionally to the character of a power of proxy, the contract presents the constituent elements of a work contract, as is generally the case for covenants between a merchant and his various agents, canvassing-clerks, travelling agents, Managing Directors, branch or agency Managers, the rules of the work contract on the relations between the merchant and his authorized agent and the rules of the power of proxy in respect of Third Parties, shall apply.

Article 278

Depending on the state of subordination or independence resulting from the agreements concluded, trade representatives are to be considered, now as officials in charge, now as more authorized agents.

However, they are always entitled, in the event even of a non-abusive termination of the contract, to the observance of the usual term of previous notice, at least if trade representation is their only profession.

When a trade representative, authorized agent of several business houses, has premises, a personnel, an organization and overheads which admit of his being considered as a true operator of trade representations, he personally becomes a merchant.

CHAPTER 2 - The commission

Article 279

A commissioner is he who takes it upon himself to conclude in his own name, but for the account of an employer, sales, purchases, or other trading operations, in return for a title to commission or financial provision.

The rules of proxy are applicable on the commission contract, without prejudice to the provisions of the present chapter.

Article 280

The commission agent, dealing in his own name, acquires the rights resulting from the contract and is directly committed towards the persons with whom he deals, as if the subject-matter concerned him personally. Third Parties may set against him all the exceptions proceeding from their personal relations with him, as no direct action lies against the employer.

But in the relations between the employer and the commissioner or the letter's creditors the rules of proxy shall apply.

Article 281

The commissioner is bound to execute the orders received personally, unless usage or agreement authorizes him to use a third party as substitute or that such substitution has been imposed by circumstances. In such cases, the employer may act directly against the person whom the commissioner has taken for substitute.

Article 282

The commissioner may not constitute himself counterparty to his employer except with the letter's consent.

Article 283

The commissioner acts at his own risks and perils if, without the employer's consent, he grants a Third Party credit or a loan of funds.

Article 284

Excepting the case when he grants credit without being empowered to, the commissioner is answerable for payment or the execution of other commitments incumbent on those with whom he has dealt, only if he has stood security therefor or if such is the trading practice in the district where he is established.

The commissioner who stands security for the person with whom he deals is entitled to a special commission known as del credere, which in the absence of an agreement, is fixed by the practices of the district where the commissioner operates.

Article 285

Without prejudice to the provisions of the preceding article, the commission is due by the fact that operation has been concluded, even though the Third Party does not meet the commitments he has assumed, unless non execution is the outcome of a mistake by the commissioner.

Commission is equally due if the conclusion of the deal has been prevented by a cause ascribable to the employer.

As for those operations which have not been completed for other causes, the commissioner may only claim, for the steps he has taken, such indemnity as would be due according to market practice.

Article 286

Barring an agreement to the contrary, the commission is assessed on the gross amount of the operation, including accessory charges.

Article 287

The commissioner is entitled to the refund with interest, of all charges, advances and disbursements effected in the interest of the employer.

He may also enter into account an indemnity for-warehousing and transport charges, but not for the wages and salaries of his personnel.

Article 288

Every commissioner has preferential claim on the value of the goods sent to him, deposited or consigned, by the mere fact of dispatch, deposit or consignment, for all loans, advances or payments he provides, either before receipt of the goods, or while they are in his possession.

Such preferential claim continues to exist only within the framework of the condition laid down by article 266 of the present code.

The commissioner's preferential claim includes, in addition to the principal, the interests, commissions and charges.

If the goods have been sold and delivered for the employer's account, the commissioner gets, out of the proceeds of the sale, the refund of his claim, before the employer's creditors.

Article 289

The employer who revokes the commission or the commissioner who relinquishes it without just motive, incurs damages.

Article 290

The forwarding-commissioner who, in consideration of a salary and in his own name, takes charge of the dispatch or re-dispatch of goods for his employer's account, is likened to a commissioner, but is none the less for it submitted, in as far as the transport of goods is concerned, to the provisions governing the carrier.

CHAPTER 3 - Brokerage

Article 291

Brokerage is a contract under which one party called broker, is charged in return for a remuneration, either to indicate to the other party the opportunity of concluding an agreement, or to serve him as middleman for the negotiation of a contract.

The rules of proxy are, broadly speaking, applicable to brokerage.

Article 292

In the absence of official or agreed rates, the broker's remuneration is determined by usage or adjudicated by the judge according to circumstances.

When the agreed salary appears out of proportion-,with the nature of the business and the attendance it entails, it may be reduced by the judge to the fair remuneration of the service rendered.

Article 293

The broker is entitled to his remuneration as soon as the indication he has given or the negotiations he has conducted lead to the conclusion of a contract.

When the contract has been concluded under suspensive condition, brokerage is due only after the fulfillment of the condition.

If it has been agreed that the broker's expenses would be refused to him, these are due to him even though the business has not materialized.

Article 294

The broker forfeits all claims to a remuneration or the refund of his expenses if he acts in the interests of the contracting Third Party, in disregard of his obligations, or if he gets from him promise of a remuneration in circumstances conflicting with the rules of good faith.

Article 295

The broker may not act as middleman for persons notoriously insolvent or of whose incapacity he is aware.

Article 296

He is required to register, with their clauses and specific terms, all the operations concluded through his intermediary, to keep all the documents relating thereto and to deliver a copy certified true to each of the parties who might require it.

In sales according to sample, he must keep the sample until the operation has been brought to good termination.

Article 297

Brokerage or mediation operations at Stock Exchanges or Commodity Exchanges are submitted, in so far as is needful, to a special legislation.

TITLE IV - CURRENT ACCOUNT

Article 298

Current account exists whenever two persons, due to effect mutual remittances of valuables, agree to transform their claims into mere items of debit and credit, forming the elements of a single account so that the final balance of this account, when it is closed, constitutes a single claim due and available for payment.

Article 299

The scope of the current account depends on the will of the parties, who may include in it either all their operations, or only those of a determined sort.

The current account may be "mutually open" or "unilaterally open". In the latter case, one of the parties is not bound to effect remittances to the other so long as he is provided with sufficient funds, as the account must in no case show a creditor balance in his favor.

Article 300

The existence of a current account does not exclude the right to a commission or to the refund of charges relating to operations referring thereto. Entry is made in the account, except for a clause to the contrary.

Article 301

When a remittance is effected through a trade bill, it is presumed, except for a clause to the contrary, to be actually effected subject to collection. If the bill is not paid on maturity, the recipient is entitled, while retaining it as guarantee and exercising the rights attaching thereto, to debit its amount as liability on the remitter.

In the event of the remitter's insolvency, the recipient may not return the bills received by him except on maturity and when default in payment has been established. When bills have thus been returned, the recipient must diminish his exhibition (of documents) in the remitter's insolvency as and when payments are effected by the signatories of the bills.

Article 302

Remittances are fully entitled to produce interests on behalf of the remitter and chargeable to the recipient, at the rate set by agreement or usage, or failing which, at the legal rate.

Article 303

Debts entered in a current account lose their specific character and their individuality proper. They can no longer be the object, as a distinct item, of a payment, a compensation, recourse to proceedings or distraint, nor can they be forfeited by time limitation separately.

Personal or real sureties, attaching to debts passed into account, disappear, except for different clauses by the parties.

Article 304

Before the closing of a current account neither party shall be considered the other's debtor or creditor. Only the closure of the account fixes the state of their legal relations, produces as a matter of unstinted right the global compensation of the debit and credit items and determines the creditor and the debtor.

Article 305

The account is closed and wound-up on maturities set down by the contract or by local usages and, failing which, at the end of each semester.

Claim of the balance constitutes a liquid claim subject to exacting and which, from the day of winding-up, produces interests at the rate fixed by the current account, when the balance is brought forward, or at the legal rate in the contrary case.

Actions in redress of an account for error, omissions, duplication or other rectifications must be initiated within six months.

Article 306

The contract is terminated at the end of the period set in the agreement and, failing an agreed time-limit, at the will of one of the parties. It equally comes to an end through the death, incapacity or the insolvency of one of them.

TITLE V - BANK OPERATIONS

Article 307

The bank which receives a sum of money as deposit acquires ownership thereof. It must refund it in one or several installments of equivalent value on the depositor's first request or within the terms of time-limit or prior notice laid down in the contract.

All deposit or refund operations must-be stated in writing.

In the absence of agreement to the contrary, interests, if any, are due as from the working day following each deposit and up to the eve of the day of each refund.

Article 308

When the bank deposit has for object credit titles, ownership of such titles remains with the depositor, except for proof of intent to the contrary.

Such intent is presumed if the depositor has, in writing, unreservedly ceded to the bank the right to dispose of these titles, or recognized to the bank the faculty to hand back titles of the same kind.

The rules of proxy apply to those bank deposits in which the bank takes charge of the management of the titles in return for a commission.

Article 309

Deposits made in safes or in compartments of safes are governed by the rules of hiring out.

The bank answers for the inviolability of the safes let.

Article 310

By the contract for the opening of credit, the creditor undertakes to keep at the disposal of the credited party certain sums which the letter may be able to use as a whole or by successive portions, according to his needs, in the course of a set time-limit.

Except for a clause to the contrary, the refunds or remittances by the credited during the period of the contract increase by as much (the sums) available for his benefit.

Article 311

The contract for the opening of credit may be denounced by the creditor, if the credited becomes insolvent or if he was already so unknowingly to the creditor at the time of the contract.

In case of a notable reduction of guarantees, real or personal, provided by the credited, the creditor is entitled to obtain supplementary guarantee or, depending on the case, the reduction or closure of the credit.

Article 312

When mortgage has been provided by way of surety, the registration taken at the time of the contract guarantees as from its date all advances made subsequently by virtue of the opening of credit.

Article 313

When a bank credit has been allocated for payments in favor of Third Parties and that such credit has been confirmed by the bank to the beneficiary, it can no longer be revoked nor modified without his consent. The bank is directly and definitively committed towards him for the acceptance of bills and payments therefor.

The bank is entitled to the return of the sums paid and the expenses made in execution of its proxy, to the interests laid down in the agreement or, failing such agreement, to the legal interest dating from the day of payments, as well as to a commission.

Article 314

The bank operations which are not referred to in the present title are governed by the provisions of the code of obligations concerning the different contracts to which they give rise or in which they are terminated.

BOOK IV

TRADE BILLS AND OTHER NEGOTIABLE DOCUMENTS

TITLE I - THE BILL OF EXCHANGE

CHAPTER 1 - Creation and form of the bill of exchange

Article 315

The Bill of Exchange contains

1 - The denomination 'Bill of Exchange' inserted in the text of the document and expressed in the language used in the wording of this document; 2 - The order pure and simple to pay a determined sum; 3 - The name of he who must pay (drawee); 4 - Specification of maturity; 5 - Specification of the place where payment is to be effected; 6 - The name of he to whom or to. whose order payment is to be made; 7 - Indication of the date and place where the Bill was created; 8 - The signature of he who issues the Bill (drawee).

Article 316

The document in which one of the enunciations indicated in the preceding article is missing is not valid as Bill of Exchange, except in the cases described in the following sub-paragraphs

The Bill of Exchange the maturity of which is not indicated is considered as payable at sight.

Except for a special indication, the place stated beside the name of the drawee is reputed to be the place of payment and, at the same time, the drawee's place of domicile.

The Bill of Exchange wherein the place of its creation is not mentioned is considered as subscribed in the place designated beside the name of the drawer.

Article 317

The Bill of Exchange may be to the order of the drawer himself.

It may be drawn on the drawer himself.

It may be drawn for the account of a third party.

It may be payable at the domicile of a third party, either in the locality where the drawee has his domicile, or in another locality.

Article 318

In a Bill of Exchange payable at sight or within a certain time after sight, the drawer may stipulate that the sum shall produce interests. In all other Bills of Exchange such stipulation is reputed unwritten

The rate of interest must be stipulated in the Bill, failing such indication the clause is reputed unwritten.

Interests are computed from the date of the Bill of Exchange if no other date is indicated.

Article 319

The Bill of Exchange the amount of which is set down both in full letters and figures is worth, in the event of discrepancy, the sum set down in full letters.

The Bill of Exchange the amount of which is written several times, either in full letters, or in figures, is worth, in case of discrepancy, only the smaller sum.

Article 320

If the Bill of Exchange bears signature of persons unqualified to commit themselves by Bill of Exchange, forged signatures, or signatures of fictitious persons, or signatures which, for any other reason, could not bind the persons who have signed the Hill of Exchange, or in whose names it was signed, the other signatories' obligations are none the less valid.

Article 321

Whoever affixes his signature to a Bill of Exchange as representative of a person on whose behalf he was not entitled to act is himself held by virtue of the Bill and, if he has paid, has the same rights as the alleged represented party. The same applies in the event of a representative who has overstepped his powers.

Article 322

The drawer is guarantor of acceptance and payment.

He may exonerate himself of the guarantee of acceptance; any clause by which he exonerates himself of the guarantee of payment is reputed unwritten.

CHAPTER 2 - Provision of funds

Article 323

Provision must be made by the drawer or by him for whose account the Bill of Exchange shall be drawn; the drawer for a third party's account does not cease to be personally held towards endorsers and the bearer only.

Provision exists if, on maturity of the Bill of Exchange, he on whom it is furnished is indebted to the drawer, or to whom for whose account it is drawn, for a sum at least equal to the amount of the Bill of Exchange.

Ownership of the provision is transferable as a matter of right to the successive bearers of the Bill of Exchange.

Article 324

Acceptance supposes provision.

It establishes proof thereof towards the endorsers.

Whether there is acceptance or not, only the drawer is bound to prove, in case of denial, that those on whom the letter was drawn had provision on maturity, if not he is held for the guarantee although protest has been made after the set time-limits.

CHAPTER 3 - Endorsement

Article 325

Every Bill of Exchange, even non expressly drawn to order, is transferable by means of endorsement.

When the drawer has inserted in the Bill of Exchange the words "not to order" or an equivalent phrase, the title is transferable only in the form and with the effects of an ordinary assignment.

Endorsement may be effected even for the benefit of the drawee, whether acceptor or not, of the drawer or any other obligee. These persons may endorse the Bill afresh.

Article 326

Endorsement must be pure and simple. Any condition to which it is subordinated is reputed unwritten. Partial endorsement is null. Endorsement to bearer tantamounts to blank endorsement.

Article 327

Endorsement must be written down on the Bill of Exchange or an attached sheet (allonge). It must be signed by the endorser.

Endorsement may designate no beneficiary or consist merely of the signature

of the endorser (blank endorsement). In the latter case, endorsement, to be valid, must be written on the back of the Bill of Exchange or on the allonge.

Article 328

Endorsement conveys all rights resulting from the Bill of Exchange.

If endorsement is blank, the bearer may

1 - Fill the blank, either with his name, or with the name of a third person; 2 - Endorse the Bill afresh in blank or to another person; 3 - Remit the Bill to a third party, without filling the blank and without endorsing.

Article 329

Barring a clause to the contrary, the endorser is guarantor of acceptance and payment.

He may forbid a new endorsement; in which event he is not held for guarantee towards those persons for whom the Bill is subsequently endorsed.

Article 330

The holder of a Bill of Exchange is considered legitimate bearer, if he justifies his claim by an uninterrupted series of endorsements even if the last endorsement is blank. Written off endorsements are in this respect reputed unwritten. When a blank endorsement is followed by another endorsement, the latter's signatory is reputed having acquired the Bill by the blank endorsement.

If a person has been dispossessed of a Bill of Exchange by any occurrence that may be, the bearer, justifying his claim in the manner indicated in the preceding sub-paragraph, is not bound to relinquish the Bill except if he has acquired it through ill faith or if, by acquiring it, he has made a grievous mistake.

Article 331

Persons sued by virtue of the Bill of Exchange may not set as bar to the bearer the exceptions founded on their personal relations with the drawer or with the previous bearers, unless the bearer, by acquiring the Bill, has knowingly acted to the debtor's prejudice.

Article 332

When the endorsement bears the words "value for recovery", "for collection", "by proxy", or any other mention implying a proxy, the bearer may exercise all the rights deriving from the Bill of Exchange but he may not endorse the latter except by way of power of proxy.

Obligees may, in this case, put forward as a bar against the bearer only those exceptions which would be opposable to the endorser.

The order implied by an endorsement for proxy is not terminated by the death of the Principal or the occurrence of his incapacity.

Article 333

When the endorsement contains the words "value in guarantee", "value in pledge", or any other phrase implying collateral security, the bearer may exercise all his rights deriving from the Bill of Exchange, but an endorsement made by him is valid only as endorsement by way of procuration.

Obligees may not put forward against the bearer exceptions founded on their personal relations with the endorser, unless the endorser has knowingly acted to the debtor's prejudice, on receiving the Bill.

Article 334

Endorsement subsequent to maturity produces the same effects as a prior endorsement. However, endorsement subsequent to protest for default in payment, or lodged after the time-limit set for protest produces no effects beyond those of ordinary conveyance.

Except for proof to the contrary, undated endorsement is supposed to have been made before the expiry of the time-limit for making a protest.

Article 335

It is forbidden to antedate orders under penalty of forgery.

CHAPTER 4 - Acceptance

Article 336

Until maturity, the Bill of Exchange may be-presented for the acceptance of the drawee, in the place of his domicile, by the bearer or even by a mere holder.

Article 337

In any Bill of Exchange, the drawer may stipulate that it shall have to be presented for acceptance, with or without setting a time-limit.

In the Bill he may forbid presentation for acceptance unless it is payable at a third party's or payable in a locality other than that of the drawee's domicile, or drawn at deferred sight.

He may also state that presentation or acceptance may not take place before a set time.

Any endorser may stipulate that the Bill shall have to be presented for acceptance, either stating a time-limit or not unless it is declared unaccepted by the drawer.

Article 330

Bills of Exchange drawn at deferred sight are to be presented for acceptance within a year from their date.

The drawer may shorten this time or stipulate a longer one.

These time-limits may be shortened by the endorsers.

Article 339

The drawee may request that a second presentation be made to him the day following the first. Interested parties are not allowed to claim that their request has not been acceded to except if it is mentioned in the protest.

The bearer is not obliged to leave into the hands of the drawee the Bill presented for acceptance.

Article 340

Acceptance is written on the Bill of Exchange. It is expressed by the word "accepted" or by any other equivalent word; it is signed by the drawee. The drawee's simple signature affixed on the back of the Bill tantamounts to acceptance.

When the Bill is payable at deferred sight or when it must be presented for acceptance within a determined time-limit by virtue of a special stipulation, acceptance must be dated at the day of presentation. In the absence of date, the bearer, in order to safeguard his claim against endorsers and the drawer, has this omission established by a protest made in good time.

Article 341

Acceptance is pure and simple, but the drawee may restrict it to part of the sum.

Any other modification brought about by acceptance to the terms of the Bill of Exchange tantamounts to a refusal of acceptance. However, the acceptor is held within the terms of his acceptance.

Article 342

When the drawer has indicated in the Bill of Exchange a place of payment other than that of the drawee's domicile, without designating a Third Party at whose place payment is to be effected, the drawee may indicate it at the time of acceptance. Failing this indication, the acceptor is reputed to be self-bound to pay himself at the place of payment.

If the Bill is payable at the drawee's domicile, the latter may indicate in the acceptance an address of the same place where payment is to be effected.

Article 343

By acceptance the drawee binds himself to pay the Bill of Exchange on maturity, .

In default of payment, the bearer, even though he is the drawer, has against the acceptor direct action resulting from the Bill of Exchange involving all - that can be claimed by virtue of articles 370 and 371.

Article 344

If the drawee who has vested the Bill of Exchange with his acceptance had struck off acceptance before returning the Bill, acceptance is presumed denied: But for proof to the contrary, striking off is reputed having been made before the return of the title.

However, if the drawee has made his acceptance known by writing to the bearer or any signatory, he is held towards the latter within the terms of his acceptance.

CHAPTER 5 - Guarantee

Article 345

The payment of a Bill of Exchange may be covered for the whole amount or part of it by backing.

Such cover is furnished by a Third Party or even by the signatory of the Bill.

Article 346

Backing is given either on the Bill of Exchange or on an allonge, or by a separate deed indicating the place where it occurred.

It is expressed by the words "Good for Backing" or any other equivalent formula; it is signed by the Backer.

It is considered as resulting from the simple signature of the Backer affixed on the back of the Bill of Exchange, except in the case of the drawee's or drawer's signature.

Backing must indicate for whose account it is given. Failing this indication, it is reputed given for the drawer.

Article 347

The Backer is held in like manner as he whom he guarantees.

His commitment is valid, even though the obligation he has guaranteed should be null for any cause other than legal flaw.

When he pays the Bill of Exchange, the guarantor acquires the claims resulting from the Bill of Exchange against the person he guarantees and against those who are held towards the latter by virtue of the Bill of Exchange.

CHAPTER 6 - Maturity

Article 348

A Bill of Exchange may be drawn - at sight - at deferred sight - at deferred date - at a fixed date.

At other maturities or at successive maturities, Bills of Exchange are null.

Article 349

The Bill of Exchange at sight is payable on presentation. It must be presented for payment within a year from its date. The drawer may shorten this delay or stipulate a longer one. Such delays may be shortened by the endorsers.

The drawer may prescribe that a Bill of Exchange payable at sight is not to be presented for payment before an indicated term. In this event, the time of presentation commences from that term.

Article 350

The maturity of a Bill of Exchange at deferred sight is determined, either by the date of acceptance, or by that of protest.

In the absence of protest, undated acceptance is reputed in respect of the acceptor to have been given the last day of the stated time-limit for the presentation of acceptance.

Article 351

The maturity of a Bill of Exchange drawn at one or several months from the date or sight falls due on the date of the corresponding month when payment is to be effected. In default of a corresponding date, maturity occurs on the last day of that month.

When a Bill of Exchange is drawn at one or several months of date or sight, the entire months are first to be computed.

If maturity is set at the beginning, the middle (mid-January, mid-February, etc..) or the end of the month, these terms are taken to mean the first, the fifteenth or the last day of the month.

The phrases "eight days" or "fifteen days" are taken to mean not just one or two weeks, but a period of actual eight or fifteen days.

The phrase "half a month" indicates a period of fifteen days.

Article 352

When the Bill of Exchange is payable on a fixed day in a district where the calendar is different from that of the place of issue, the date of maturity is considered as set in accordance with the calendar of the place of payment.

When a Bill of Exchange drawn between two places with different calendars is payable at a certain time from date, the date of issue is brought back to the corresponding day of the calendar of the place of payment and maturity is set in consequence.

The terms of presentation of the Bill of Exchange are calculated in conformity with the rules of the preceding sub-paragraph.

These rules are not applicable, if one clause of the Bill of Exchange, or even the simple statements of the instrument, indicate that it was intended to adopt different rules.

CHAPTER 7 - Payment

Article 353

The bearer of a Bill of Exchange payable on a set day or within a certain time-lag from the date or sight must present the Bill of Exchange for payment, on the day of maturity.

The presentation of a Hill of Exchange to a Clearing House tantamounts to presentation for payment.

Article 354

The drawee may demand, on paying the Bill of Exchange, that it should be remitted to him "duly settled" by the bearer.

The bearer may not refuse partial payment.

In the event of partial payment, the drawee may demand that mention of that payment be made on the Bill and that he should be given a receipt therefor.

Payments made on account against the amount of the Dill of Exchange are a relief to drawers and endorsers.

The bearer is bound to protest the Bill of Exchange for the surplus.

Article 355

The bearer of a Bill of Exchange may not be constrained to receive payment therefor before maturity.

The drawee who pays before maturity does so at his own risks and perils.

He who pays on maturity is validly cleared unless a grievous mistake or fraud lies on his side. He is obliged to verify that the successive endorsements are in order but not so the signatures of the endorsers.

Article 356

When a Bill of Exchange is stipulated payable in a money which is not legal tender at the place of payment, the amount may be paid up in the money of the country according to its value on the day of maturity. If the debtor is late, the bearer may, according to his choice, require that the amount of the Bill of Exchange be paid in the money of the country as per rate, either of the day of maturity, or of the day of payment.

Usages of the place of payment serve to determine the value of the foreign currency. However, the drawer may stipulate that the sum to be paid shall be calculated according to a rate set down in the Hill.

The rules here enunciated do not apply to the case where the drawer has stipulated that payment shall have to be effected in a certain stated currency (clause of actual payment in a foreign currency).

If the amount of the Dill of Exchange is indicated in a currency having the same denomination, but a different value in the country of issue and in that of payment, one is presumed to have referred to the currency of the place of payment.

Article 357

If the Bill of Exchange has not been presented for payment on the day of maturity, every debtor is entitled to lodge the amount therefor as deposit in the bank authorized to receive State deposits, at the bearer's charges, risks and perils.

The debtor shall be required only to remit the deed of deposit in exchange for the draft.

Article 358

No bar may be set against payment except in the event of deposit in exchange for the draft.

Article 359

In the case of loss of an unaccepted Bill of Exchange, he to whom it belongs may proceed for payment on a second, third, fourth one, etc..

Article 360

If the lost Bill of Exchange is vested with acceptance, payment may not be exacted on a second, third or fourth one etc.. except by order of the judge and following the payment of a security deposit..

Article 361

If he who has lost a Bill of Exchange, whether accepted or not, cannot represent a second, third, fourth one etc.., he may request payment of the lost Bill of Exchange and obtain it through the judge's order after justifying his ownership on his books and by giving security.

Article 362

In the event of refusal to pay following application put forward by virtue of the two preceding paragraphs, the owner of the lost Bill of Exchange retains all his rights by deed of protestation. This deed must be made out the day following the maturity of the lost Bill of Exchange; such notices as are prescribed by article 367 must be served within the time-limits set in this article.

Article 363

The owner of a stray Bill of Exchange must, in order to procure himself a second one, apply to his immediate endorser who is bound to lend him his name and his attendance to act against his own endorser, and thus by going back from endorser up to the drawer of the Bill. The owner of the stray Bill of Exchange shall bear the charges.

Article 364

The commitment deriving from the security referred to in articles 360 and 361 expires after three years, if in the meantime neither petitions nor legal proceedings have intervened.

CHAPTER 8 - Remedies for default in acceptance, default in payment, protests, replacement

Section 1 - Remedies for default in acceptance, default in payment

Article 365

The bearer may have remedies at law against the endorsers, the drawer and the obligees.

On maturity, if payment does not take place.

Even before maturity:

- 1 - In case of refusal, total or partial, of acceptance.
- 2 - In the event of the failure of the drawee, acceptor or not, suspension of his payments, even not established by a Court ruling, or the unfruitful distraint of his goods.
- 3 - In the event of the failure of the drawer of an unacceptable Bill.

However the guarantors against whom legal remedy is exercised in the two cases referred to in the preceding last two sub-paragraphs, 2 and 3, may within three days of such resort file with the president of the commerce tribunal of their domicile a petition soliciting extension of the time-limit. If the petition is acknowledged founded, the ordinance shall fix a new period in which the guarantors shall be compelled to pay the trade Bills in question, but the time extensions thus granted should not exceed the date set for maturity. The ordinance shall be subject to neither opposition nor appeal.

Article 366

Refusal of acceptance or payment must be established by an authentic deed (protest for default in acceptance or default in payment).

Protest for default in acceptance must be made within the time-limit set for presentation for acceptance. If, in the case referred to in article 339, 1st sub-paragraph, the first presentation occurred on the last day of the time limit, protest may still be made the next day.

Protest for default in payment of a Bill of Exchange payable on a fixed day or within a certain time of date or sight must be made in one of the two working days which follow the day when the Bill of Exchange is payable. If the Bill is payable at sight, protest must be made according to the terms indicated in the preceding sub-paragraph concerning protest for default in acceptance.

Protest for default in acceptance exempts from presentation for payment and from protest for default in payment.

In the event of the suspension of payment by the drawee, acceptor or not, or in the event of distraint of his goods remaining fruitless, the bearer may not seek remedy at law except after presentation of the drawee's Bill for payment and after protest has been made.

In case of the declared insolvency of the drawee, acceptor or not, as well as in case of the declared failure of the drawer of an unaccepted Bill, production of the judge's adjudication of insolvency suffices to enable the bearer to seek remedy.

Article 367

The bearer must give notice of default in acceptance or payment to his endorser and the drawer within the four working days following the day of protest or that of the presentation, in case there exists a clause of return without charges. Every endorser must, within the two working days following the day of receipt of the notice, acquaint his endorser with the notice he has received, indicating the names and addresses of those who have served the preceding notices, and so on, moving backwards up to the drawer. The time-limit indicated above runs from the receipt of the preceding notice.

When in compliance with the preceding sub-paragraph, notice has been served to a signatory of a Bill of Exchange, the same notice must be served within the same time-limit to his guarantor.

Should an endorser fail to indicate his address, or should he indicate it in an illegible manner, it suffices that the notice is served to the endorser preceding him.

Anyone who has a notice to serve may do so in any form, even by the simple return of the Bill of Exchange.

He has to prove that he served notice within the given time-limit. Such time limit shall be considered as observed if a letter including the notice has been posted within the said time-limit.

He who fails to serve notice within the time-limit indicated above incurs no forfeiture; he is liable, should the case arise, for the prejudice caused by his negligence, but damages must not exceed the amount of the Bill of Exchange.

Article 368

The drawer, an endorser or a Backer may, by the phrase "return uncharged", "without protest" or any equivalent phrase, written on the instrument and signed, exempt the bearer from making, in his search for remedy, a protest for default in acceptance or default in payment.

This phrase does not exempt the bearer from the presentation of the Bill of Exchange within the time limit prescribed nor from the notices to serve.. Onus of the proof that the time-limits have not been observed rests with him who avails himself of it against the bearer.

If the phrase is written by the drawer, it produces its effects in respect of all the signatories; if it is written by an endorser or a Backer, it produces its effects only in respect of him. If despite the phrase written by the drawer, the bearer has a protest made, expenses are chargeable on him. When the phrase emanates from an endorser or a Backer, charges for the protest, if any is made, may be recovered against all the signatories.

Article 369

All those who have drawn, accepted, endorsed or backed a Bill of Exchange are held jointly towards the bearer.

The bearer is entitled to act against all these persons, individually or collectively, without being constrained to observe the order in which they have obliged themselves.

The same right belongs to any signatory of a Bill of Exchange who has refunded it.

Action brought against one of the obligees is no bar to action against the others, even subsequent to the one who has first been prosecuted.

Article 370

The bearer may claim from the person against whom he seeks remedy at law

- 1 - The amount of the unaccepted or unpaid Bill of Exchange, together with interests if these are stipulated;
- 2 - Interests at the legal rate as from maturity;
- 3 - Charges for protest, the notices served as well as other expenses.

If remedy is sought before maturity, deduction shall be made of a discount on the amount of the Bill. This discount shall be calculated according to the official discount rate (the bank rate agreed for the reception of State deposits) such as it exists at the date of remedy in the district of the bearer's domicile.

Article 371

He who has refunded the Bill of Exchange may claim from its guarantors:

1 - The total sum he has paid; 2 - The interests of the said sum calculated at the legal rate as from the day he refunded it; 3 - The expenses he has incurred.

Article 372

Every obligee against whom remedy is sought or who is exposed to such remedy may demand, as counterpart for the refund, the deposit of the Bill of Exchange with the protest in a settled account..

Any endorser who has refunded the Bill of Exchange may strike off his endorsement and those of the subsequent endorsers.

Article 373

In case of resort to remedy after partial acceptance, he who refunds the sum for which the Bill has not been accepted, may require that the refund be mentioned on the Bill and that discharge therefor is given him. The bearer must, on the other hand, remit him a copy certified true to the Bill and the protest to allow subsequent recourses to remedy.

Article 374

After expiry of the time-limits set:

- for the presentation of a Bill of Exchange at sight or at deferred sight, - for the making of protest for default on acceptance or default in payment, - for presentation to payment in case of a clause of return without charges,

the bearer is forfeited of his claim against the endorsers, against the drawer and against the other obligees, with the exception of the acceptor.

However forfeiture does not occur in relation to the drawer except if he proves that provision was available at maturity. In this case no action lies with the bearer except against him on whom the Bill of Exchange was drawn.

Article 375

In the event of non presentation for acceptance within the time-limit set by the drawer, the bearer forfeits, within the limits set by the preceding article, his title to seek remedy, for default in payment as much as for default in acceptance, unless it appears from the terms of the stipulation that the drawer intended to exonerate himself only from the guarantee of acceptance.

If the stipulation of a time-limit for presentation is contained in an endorsement, only the endorser may avail himself of it.

Article 376

When the presentation of a Bill of Exchange or the making of a protest within the prescribed time-limits is prevented by an insuperable obstacle (legal prescription of some State or any other cause of force majeure), such time-limits are extended.

The bearer is bound to give notice, without delay, of the case of force majeure to his endorser and to mention this notice duly dated and signed by him on the Bill of Exchange or on an allonge; for the surplus, the provisions of article 402 are applicable.

After the termination of force majeure, the bearer must, without delay, present the Bill for acceptance or for payment and, if the case so requires it, have the protest made.

If force majeure persists beyond thirty days from maturity, remedy may be sought, neither presentation nor the making of a protest being necessary.

For Bills of Exchange at sight or at deferred sight the time-limit of 30 days is computed from the date at which the bearer has, even before the expiry of the time-limits for presentation, served notice of the force majeure to his endorser; for Bills of Exchange at deferred sight, the time-limit of 30 days is augmented by the sight time-limit indicated on the Bill of Exchange.

Are not considered as constituting cases of force majeure facts purely personal to the bearer or to him whom he charged to present the Bill or make the protest.

Section 2 - Protests

Article 377

Protests for default in acceptance or default in payment are made by the Notary or one of his clerks. Protest must be made

At the domicile of the one on whom the Bill of Exchange was payable or at his last known domicile; at the domicile of persons designated by the Bill of Exchange for its payment if need be; at the domicile of the Third Party who has accepted through intervention; all by a single and same deed. Notification shall be made in conformity with articles 353 and subsequent ones of the code of civil procedure.

Article 378

The deed of protest contains the literal reproduction of the Bill of Exchange, of acceptance, of endorsements and of the recommendations stated therein, and the summons to pay the amount of the Bill of Exchange. The deed also states the presence or absence of the one who must pay, the motives of refusal to pay and the inability or refusal to pay.

Article 379

No deed on the part of the bearer of the Bill of Exchange can be a substitute to the deed of protest, except for the case referred to in articles 360 and subsequent ones regarding the loss of the Bill of Exchange.

Article 380

Notaries are bound, under penalty of damages to the parties, to leave exact copy of protests and to reproduce them in full, day by day and by order of dates, in a special register.

Section 3 - Replacement

Article 381

Any person entitled to seek remedy at law may, except for a clause to the contrary, get paid by means of a new Bill (replacement) drawn at sight on one of the guarantors and payable at the latter's domicile.

The replacement Bill comprises, in addition to the sums stated in articles 370 and 371, brokerage and a stamp duty.

If the replacement Bill is drawn by the bearer, the amount thereof is fixed according to the rate of the Bill of Exchange at sight, drawn from the district where the original Bill was payable on the district of the guarantor's domicile. If the replacement Bill is drawn by an endorser, its amount is fixed according to the rate of a Bill at sight drawn from the district where the drawer of the second Bill is domiciled on the district of the guarantor's domicile.

Article 382

Replacement Bills may not be cumulated.

Each endorser bears but one, as well as the drawer.

CHAPTER 9 - Intervention

Section 1 - General Provisions

Article 383

The drawer, an endorser or a guarantor may designate a person to accept or pay, if need be.

The Bill of Exchange may be, subject to the conditions determined hereinafter, accepted or paid by a person intervening for any debtor open to proceedings.

The intervener may be a third party, even the drawee, or a person already obliged by virtue of the Bill of Exchange, except the acceptor.

The intervener is bound to serve, within two working days, notice of his intervention to him on whose behalf he has intervened. If this time-limit is not observed, he is liable, should the case arise, for the prejudice caused by his negligence but damages are not to exceed the amount of the Bill of Exchange.

Section 2 - Acceptance through Intervention

Article 384

Acceptance through intervention may take place whenever resorts to remedy are open, before maturity, to the bearer of an acceptable Bill of Exchange.

When on the Bill of Exchange a person has been designated to accept or pay, if need be, at the place of payment, the bearer may not set into action before maturity his title to remedy against he who has stated this indication and against subsequent signatories unless he has presented the Bill of Exchange to the designated person and that, the latter having declined acceptance, this denial has been established in the protest.

In other cases of intervention the bearer may refuse acceptance by intervention. However, if he admits it, he forfeits the resorts open to him before maturity against the one for whom acceptance has been given and against subsequent signatories.

Article 385

Acceptance by intervention is stated in the Bill of Exchange; it is signed by the intervener. It indicates for whose account it has occurred; in the absence of such indication, acceptance is reputed given by the drawer.

Article 386

The acceptor through intervention is obliged towards the bearer and towards the endorsers subsequent to the one for whose account he has intervened, in the same manner as the latter.

In spite of acceptance through intervention, be for whom it has been made and his guarantors may require the bearer, as counterpart for the payment of the sum indicated in article 370, to remit the Bill of Exchange, the protest and the settled account, if need be.

Section 3 - Payment through intervention

Article 387

Payment through intervention may be effected in all cases either at maturity, or before maturity; avenues for remedy are open to the bearer.

Payment comprises all the sums that would have to settle the person for whom it takes place.

It has to be done, at the latest, the day following the last day admitted for the making of protest for default in payment.

Article 388

If the Bill of Exchange has been accepted by interveners having their domicile in the place of payment or if persons with their domicile in this same place have been designated to pay if need be, the bearer must present the Bill to all these persons and make, if necessary, a protest for default in payment, at the latest the next day of the last day open for protest making.

In the event of failure of protest making within this time-limit, the person who has indicated the need or for whose account the Bill has been accepted and the subsequent endorsers are no longer obliged.

Article 389

The bearer who refuses payment through intervention forfeits his recourses against those who might have been released.

Article 390

Payment through intervention must be established by a clearance given on the Bill of Exchange, with indication of the person for whom it is effected. In the absence of such indication, payment is considered as made for the drawer.

The Bill of Exchange and the protest, if one has been made, must be remitted to the payer through intervention.

Article 391

The payer through intervention acquires the rights resulting from the Bill of Exchange against the person for whom he has paid and against all those who are held towards the latter by virtue of the Bill of Exchange. However, he may not endorse the Bill of Exchange afresh.

Endorsers subsequent to the signatory for whom payment has been effected are released.

In case of concurrence for payment through intervention, he who operates the most releases is preferred. He who intervenes, knowingly, contrary to this rule, forfeits his recourses against those who would have been released.

CHAPTER 10 - Plurality of exemplars and copies

Section 1 - Plurality of exemplars

Article 392

The Bill of Exchange may be drawn in several identical exemplars.

These exemplars must be numbered in the very wording of the title failing which each of them is considered as a distinct Bill of Exchange.

Every bearer of a Bill which does not indicate that it has been drawn in a single exemplar may demand the delivery of several exemplars on his account. To this end, he is to apply to his immediate endorser who is bound to lend him his assistance to act, against his own endorser and so on, by going back to the drawer. Endorsers are bound to reproduce the endorsements on the new exemplars.

Article 393

The payment made on one of the exemplars amounts to clearance, even though it is not stipulated that such payment nullifies the effect of the other exemplars. However, the drawee remains held by virtue of each accepted exemplar which he has failed to recover.

The endorser who has transferred the exemplars to different persons, as well as subsequent endorsers are held by virtue of all the exemplars bearing their signature and which have not been returned.

Article 394

He who has sent one exemplar for acceptance must indicate on the other exemplars the name of the person in whose hand this exemplar stands. The latter is bound to remit it to the legitimate bearer of another exemplar.

If he refuses to do so, the bearer may not exercise recourse except after he has established by protest

1 - that the sent exemplar has not been returned on his request; 2 - that acceptance or payment has not been obtained on another exemplar.

Section 2 - Copies

Article 395

Every bearer of a Bill of Exchange is entitled to have copies made therefrom.

The copy must reproduce exactly the original with the endorsements and all the other mentions made in it. It must indicate where it stops.

It must be endorsed and guaranteed in the same manner and with the same effects as the original.

Article 396

The copy must indicate the holder of the original instrument. The latter is required to remit the said instrument to the legitimate bearer of the copy.

If he refuses to do so, the bearer may not initiate his recourse against all the persons who have endorsed or guaranteed the copy except after he has established by a protest that the original has not been remitted to him upon his request.

If the original instrument, after the last endorsement occurring before the copy was made out, carries the phrase : "hence endorsement is valid only on the copy" or any equivalent wording, an endorsement subsequently signed on the original is null.

CHAPTER 11 - Changes

Article 397

In case of changes in the text of a Bill of Exchange, signatories subsequent to this change are held within the terms of the changed text; prior signatories are held within the terms of the original text.

CHAPTER 12 - Prescription

Article 398

All actions resulting from a Bill of Exchange against the acceptor are limited to three years computed from the date of maturity.

The bearer's actions against endorsers and against the drawers are limited to one year dating from the protest in due time or from maturity in the event of a clause of return without charges.

The actions of endorsers the ones against the others and against the drawer are limited to six months dating from the day when the endorser has repaid the Bill or from the day when he himself was prosecuted.

Article 399

Prescriptions in the case of actions in Court run from the day of the last legal proceedings. They do not apply in case of conviction or if the debt has been acknowledged by separate deed.

Interruption of prescription has effect only against the person on whose behalf the interrupting act was done.

Nonetheless the alleged debtors would be bound, if they are so required, to state under oath that they are no longer indebted; and their heirs or interested parties, whom they believe, in good faith, that nothing more is due.

CHAPTER 13 - General provisions

Article 400

The payment of a Bill of Exchange the maturity of which falls on a legal holiday may not be exacted except on the first working day following. Likewise, all other acts relating to the Bill of Exchange, notably presentation for acceptance and protest, may not be made except on a working day.

When one of these acts must be completed within a certain time-limit the last day of which is a legal holiday, the time is extended up to the first working day following the expiry. Intervening holidays are comprised in the computation of the time-limit.

Article 401

Legal or conventional time-limits do not comprise the day which serves as starting-point.

Article 402

No grace day, either legal or judicial, is allowed, except for those cases referred to in articles 365 and 367.

TITLE II - THE PROMISSORY NOTE

Article 403

The promissory note contains

- 1 - The phrase "to order" or the denomination of the instrument inserted within the text itself and expressed in the language used in the writing of the instrument;
- 2 - The promise pure and simple to pay a determined sum;
- 3 - The indication of maturity;
- 4 - The place where payment is to be effected;
- 5 - The name of the person to whom or to whose order payment is to be made;
- 6 - The date and place where the note is subscribed;
- 7 - The name of the person who issues the instrument (subscriber).

Article 404

The instrument in which one of the statements indicated in the preceding article is missing is not valid as promissory note, except in the cases determined by the following sub-paragraphs

- The promissory note the maturity of which is not indicated is considered as payable at sight.

In the absence of special indication, the place where the instrument is created is reputed to be the place of payment, and, at the same time, the place of the subscriber's domicile.

- The promissory note which does not indicate the place of its creation is considered as subscribed in the place designated beside the subscriber's name.

Article 405

Are applicable to the promissory note, in so far as they are not inconsistent with the nature of this instrument, the provisions relating to the Bill of Exchange and concerning

Endorsement (articles 325 - 335) Maturity (articles 348 - 352) Payment (articles 353 - 364) Remedy for default in payment (articles 365 - 372, 374 - 376) Protests (articles 377, 380) Replacement (articles 381, 382) Payment through intervention (articles 387 - 391) Copies (articles 395, 396) Changes (article 397) Prescription (articles 398, 399) Holidays, the computation of time-limits and prohibition of grace days (articles 400, 402)

Article 406

Are likewise applicable to the promissory note the provisions concerning the Bill of Exchange payable at a Third Party's or in a locality other than that of the drawee's domicile (articles 317 and 342), the stipulation of interests (article 318), differences of statements regarding the sum to be paid (article 319), the consequences of affixing a signature in the conditions referred to in article 320, those of the signature of a person who acts without powers or in excess of his powers (article 321).

Article 407

Equally applicable to the promissory note are those provisions relating to guarantee (articles 345 and 346) as is referred to in article 346, last subparagraph; if the guarantee does not indicate for whose account it has been given, it is reputed to have been for the account of the promissory note subscriber.

Article 408

A promissory note subscriber is obliged in the same manner as the acceptor of a Bill of Exchange.

Promissory note payable at deferred sight must be presented to the subscriber for signature within the time-limit set in article 338. The time-limit for sight runs from the date of the subscriber's signature on the note. The subscriber's refusal to give his dated-signature is established by protest (article 340.) the date of which serves as starting-point for the sight time limit.

TITLE III - THE CHEQUE

CHAPTER 1 - The creation and form of cheque

Article 409

The cheque contains

- 1- The denomination of cheque inserted within the very text of the instrument and expressed in the language used in the making out of the instrument;
- 2- The order pure and simple to pay a determined sum;
- 3- The name of the person to be paid (drawee);
- 4- The place where payment is to be effected;
- 5- The date and place where the cheque is created;
- 6- The signature of the person who issues the cheque (drawer).

Article 410

The instrument in which one of the statements indicated in the preceding article is missing is not valid as a cheque, except in those cases as are determined in the following sub-paragraphs

In the absence of a special indication, the place designated beside the name of the drawee is reputed to be the place of payment. If several places are indicated beside the name of the drawee, the cheque is payable in the first indicated place.

In the absence of these indications and of any other indication, the cheque is payable in the place where the drawee has his main establishment.

The cheque without indication of the place of its creation is considered as subscribed in the place designated beside the name of the drawer.

Article 411

The cheque may not be drawn except on a banker having, at the time of the creation of the instrument, funds at the drawer's disposal and in conformity with an agreement express or tacit by which the drawer is entitled to dispose of his funds by cheque.

Article 412

The cheque may not be accepted. Mention of acceptance carried on the cheque is reputed unwritten.

However the drawee is entitled to sign the cheque; signing has for effect to establish the existence of provision at the time when it is given.

Article 413

The cheque may be stipulated payable

- To a designated person, with or without the express phrase "to the order"; - To a designated person, with or without the phrase "not to order", or an equivalent phrase; - To bearer.

The cheque for the benefit of a designated person, with the mention "or to bearer" or an equivalent phrase is valid as cheque to bearer.

The cheque without indication of the beneficiary is valid as a cheque to bearer.

Article 414

The cheque may be to the order of the drawer himself.

The cheque may be drawn for a Third Party's account.

The cheque may not be drawn on the drawer himself, except in the case of a cheque drawn among different establishments of the same drawer and on condition that the cheque is not to bearer.

Article 415

Any stipulation of interests inserted in the cheque is reputed unwritten.

Article 416

The cheque may be payable at a Third Party's domicile, either in the locality where the drawee has his domicile, or in another locality, on condition however that the Third Party is a banker.

Article 417

The drawer is guarantor of payment. Any clause by which the drawer exonerates himself from such guarantee is reputed unwritten.

CHAPTER 2 - Transmission

Article 418

The cheque stipulated payable for the benefit of a stipulated person, with or without the express phrase "to order", is transferable by endorsement.

The cheque stipulated payable for the benefit of a designated person, with the phrase "not to order" or an equivalent phrasing, is transferable only in the form and with the effects of an ordinary conveyance.

Article 419

Endorsement may be made either for the benefit of the drawer or any other obligee. These persons may endorse the cheque anew.

Article 420

Endorsement must be pure and simple. Any condition to which it is subordinated is reputed unwritten.

Partial endorsement is null. The drawee's endorsement is equally null. Endorsement to bearer is valid as blank endorsement.

Endorsement for the drawee is valid as receipt, except in the case where the drawee has several establishments or where the endorsement is made for the benefit of an establishment other than that on which the cheque has been drawn.

Article 421

The holder of an endorseable cheque is considered as legitimate bearer, if he justifies his title by an uninterrupted succession of endorsements even if the last endorsement is blank. Struck-off endorsements are, in this respect, reputed unwritten. When a blank endorsement is followed by another endorsement, the latter's signatory is reputed having acquired the cheque through the blank endorsement.

Article 422

An endorsement standing on a cheque to bearer renders the endorser liable to the terms of the provisions regulating recourse; it does not convert the instrument into a cheque to order.

Article 423

When a person has been disposed of a cheque to order by whatever occurrence this may be, the beneficiary who justifies his title in the manner indicated in article 421 is not bound to relinquish the cheque except if he has acquired it through ill faith or if, by acquiring it, he has committed a grievous fault.

Article 424

Endorsement made after protest or after expiry of the time-limit for presentation produces the effects of a mere conveyance.

Except for proof to the contrary, undated endorsement is presumed having been made before the protest or before expiry of the time-limit referred to in the preceding sub-paragraph.

CHAPTER 3 - Presentation and payment

Article 425

The cheque is payable at sight. Any mention to the contrary is reputed unwritten.

The cheque presented for payment before the day indicated as date of issue, is payable on the day of presentation.

Article 426

The cheque issued and payable in Lebanon must be presented for payment within eight days.

The cheque issued out of Lebanon and payable in Lebanon must be presented within 20 days if the date of issue is located in one of the countries bordering on Lebanon or Syria, in Europe, or in a country bordering on the Mediterranean.

The time-limit is of 70 days if the cheque was issued in any other country.

Article 427

When the cheque payable in Lebanon is issued in a country where there is in use a calendar other than the Gregorian calendar, the date issue shall be brought back to the corresponding day in the Gregorian Calendar.

Article 428 (as modified by Law NO 30/67 of 16 May 1967)

The drawee must pay even after expiry of the time-limit for presentation. Opposition to the payment of the cheque by the drawer is receivable only in the event of loss of the cheque or of the insolvency of the Bearer.

If, in spite of this defense, the drawer puts a bar for other causes, the judge of the Summary Court, even when an instance in principal should be initiated, shall be bound upon the bearer's request to remove this opposition.

Article 429

Neither the drawer's death, nor his incapacity occurring after the issue touch the effects of the cheque.

Article 430

The drawee may demand, on paying the cheque, that it is remitted to him duly settled by the bearer.

The bearer may not refuse a partial payment.

If the fund is less than the amount of the cheque the bearer is entitled to exact payment up to the limit of the fund.

In case of partial payment, the drawee may demand that mention of this payment be made on the cheque or that receipt therefor be given him.

Partial payments against the amount of the cheque are a discharge for drawers and endorsers.

The bearer is bound to protest the cheque for the surplus.

Article 431

He who pays a cheque without opposition is presumed validly released.

The drawee who pays an endorsable cheque is obliged to verify that the succession of endorsements is in order, -but not so the endorsers' signatures.

Article 432

When a cheque is stipulated payable in a currency which is not legal tender in Lebanon, the amount of it may be paid, within the time-limit for the presentation of the cheque, according to its value in Lebanese pounds on the day of payment. If payment has not been effected on presentation, the bearer may, as he chooses, require that the amount of the cheque be paid to him in Lebanese pounds according to the rate ruling, either on the day of presentation or the day of payment.

Lebanese usages for the quotation of foreign currencies in which cheques are made out must be observed to determine the value of these currencies in Lebanese pounds. However, the drawer may stipulate that the sum to be paid shall be calculated according to a rate set in the cheque.

The above stated rules do not apply when the drawer has stipulated that payment shall have to be made in a certain indicated currency (clause of actual payment in a foreign currency).

CHAPTER 4 - Crossed cheque

Article 433

The drawer or bearer of a cheque may cross it with the effects indicated in the following article.

Crossing is effected by means of two parallel bars affixed recto. It may be general or special.

Crossing is general if it does not carry between the two bars any designation or the word "banker" or an equivalent term; it is special if a banker's name is written between the two bars.

General crossing may be changed into special crossing, but special crossing may not be transformed into general crossing.

Striking-off the crossing or the name of the designated banker is reputed not having occurred.

Article 434

A cheque with general crossing may not be paid by the drawee except to a banker or to a client of the drawee.

A cheque with special crossing may not be paid by the drawee except to a designated banker or, if the latter is the drawee, to his client. However the designated banker may have resort to another banker to cash-in.

A banker may not acquire a crossed cheque except through one of his clients or another banker. He may not cash it for the account of other persons except these ones.

The drawee or the banker who fails to observe the above provisions is liable for prejudice up to the amount of the cheque.

Article 440

When the presentation of the cheque, the making of the protest or the equivalent proof within the prescribed time-limits is prevented by an insuperable obstacle (legal prescription or cases of force majeure) these time-limits are extended.

The bearer is bound to serve, without delay, notice to his endorser of the case of force majeure and to mention this notice, dated and signed by him, on the cheque or on an allonge; for the surplus the provisions of article 367 are applicable.

After the termination of force majeure, the bearer must, without delay, present the cheque for payment and, if need be, make protest or establish an equivalent proof.

If force majeure persists beyond fifteen days dating from the day when the bearer, even before expiry of the time-limit for presentation, gave notice of the force majeure to his endorser, recourses may be initiated, neither the presentation nor the protest nor an equivalent proof being necessary in such case.

Facts purely personal to the bearer or to the person he has entrusted with the presentation of the cheque, the making of the protest or the establishment of an equivalent proof, are not considered as constituting cases of force majeure.

CHAPTER 6 - Plurality of exemplars

Article 441

Excepting cheques to bearer, all cheques issued in a country and payable in another country or in a section overseas of the same country and vice-versa, or issued and payable in the same part or in diverse parts overseas of the same country, may be drawn in several identical exemplars. When a cheque is established in several exemplars, these exemplars must be considered as a distinct cheque.

CHAPTER 7 - Prescription

Article 442

The bearer's actions in recourse against the endorsers, the drawer and other obligees, are limited to six months from expiry of the presentation time limit.

Recourse actions of various obligees to the payment of a cheque the ones against the others are limited to six months dating from the day when the obligee has paid the cheque or from the day when he himself was prosecuted.

However in case of forfeiture or lapse by passage of time there still lies an action against the drawer who has not provided fund or the other obligees who have unjustly enriched themselves.

The action of the cheque bearer against the drawee lapses within three years

CHAPTER 8 - General and penal provisions

Article 443

Presentation and protest of a cheque may not be initiated except on a working day.

When the last day of the time-limit granted by the law to undertake actions relating to the cheque and notably for its presentation or for the making of protest, or for an equivalent action, is a legal holiday, this time-limit is extended up to the first working day following the expiry. Intermediate holidays are comprised in the computation of the time-limit.

Article 444

Remittance of a cheque for payment, accepted by a creditor, does not imply substitution. In consequence, the original claim remains, with all the guarantees attached thereto, until the said cheque has been paid.

Article 445

Independently of the formalities prescribed to bring an action in guarantee, the bearer of a protested cheque may, by obtaining the authorization of the head of the of the Executive Office and without being compelled to provide security, distrain by way of conservation the movable belongings of the drawers and endorsers.

Article 446 (as modified by Law NO 30/67 of 16 May 1967)

The drawer who issues a cheque bearing no indication of the place of issue or of date, he who vests the cheque with a false date, is under penalty of a fine of 6 per cent of the sum for which the cheque is drawn, but such fine may not be less than five Lebanese pounds.

The same fine is due, personally and without recourse, by the first endorser or the bearer of a cheque without indication of a place of issue or without date or bearing a later date than that at which it was endorsed or presented. This fine is due, on the other hand, by he who pays or receives in compensation a cheque without indication of the place of issue or without date.

Article 447 (as modified by Law N° 30/67 of 16 May 1967)

Any banker who, having fund, delivers to his creditor blank cheque forms payable at his counter, must, under penalty of a fine of one Lebanese pound per infringement, mention on each form the name of the person to whom this form is delivered.

Every banker must print on the cover of the cheque books he delivers to his clients the text of article 666 of the Penal Code, under penalty of a fine of 10 Lebanese pounds per infringement.

Article 448 (as modified by Law N° 30/67 of 16 May 1967)

The offence of issuing an unfunded cheque is subject to the penalties provided by **article 666 of the Penal Code.**

Article 449

The drawee who knowingly mentions a fund less than the existing fund is subject to a fine of between 25 and 500 Lebanese pounds.

Article 450

In so far as they are not inconsistent with the nature of the cheque, are additionally applicable to this instrument articles 319 to 321; 322 to 329, 331, 332, 335, 345 to 347, 353 - second sub-paragraph, 359, 361 to 364, 367 to 369, 372, 377, 393; 397, 399, 401 and 402 of the present code.

The protest action referred to under article 362 must be made, at the latest, the first working day following the expiry of the time-limit for the presentation of the cheque.

TITLE IV - OTHER TITLES TRANSFERABLE BY ENDORSEMENT

Article 451

Any title by which the subscriber undertakes to deliver to a determined place and at a determined time a certain sum of money or a certain quantity of fungible things may be transmitted by endorsement, if it has been expressly created to order.

Barring provisions contrary to the law or to the title itself, endorsement is regulated by the provisions of articles 325 and the following ones, concerning the endorsement of Hills of Exchange.

The debtor may not oppose other exceptions than those resulting from the title itself or those that lie directly against the plaintiff, unless the latter is of ill faith.

He is not bound to pay except in return for the remittance of the title to order duly settled.

Article 452

Except for the parties' contrary volition, the remittance of a Hill of Exchange, of a promissory note or of any other negotiable instrument, in settlement of a debt, operates no change by which a new title is substituted to an old one.

TITLE V - MOVABLE SECURITIES

Article 453

Shares, debentures, rents and all other negotiable **securities which, issued** in the lump and representing claims to identical sums of **money, are apt to have currency on a Stock Market, may be either registered, or to bearer, or to order.**

Article 454

When the security is created to bearer, conveyance is operated by mere delivery.

Every security holder is supposed to be qualified to exercise the rights relevant to this security; and, so long as he has not received regular opposition, the debtor validly frees himself from debt between the bearer's hands.

The debtor may not oppose the bearer but for the exceptions drawn from the nullity of the security or deriving from its own text.

Article 455

In the case of a registered security, the title of the security owner is established by an entry made in his name on the registers of the issuing establishment. Ownership of the security results from the entry itself.

Article 456

Conveyance of the registered security is operated by a declaration of transfer entered on the registers and signed by he who makes the assignment or by a proxy.

The debtor establishment may require, before entering the assignment, that the declarer justifies his identity and capacity.

Transfer confers on the new registered holder a title proper and direct; the debtor establishment cannot oppose to him any exception on account of the previous holders.

Article 457

Registered securities may be provided with detachable coupons allowing the payment of arrears, dividends or interests to any bearer of these coupons (mixed securities).

Article 458

Movable securities created to order are conveyed by endorsement.

Except for provisions to the contrary resulting from laws and regulations or from the very nature of the security itself, endorsement is governed by the same rules as the endorsement of the Dill of Exchange.

HOOK V

COMPOSITION AND SIMPLE INSOLVENCY

TITLE I - COMPOSITION

Article 459

Any trader, either before his suspension of payment, or within the ten days of his suspension of payment, may apply to the Court of primary jurisdiction where lies his main establishment, and ask for the convocation of all his creditors to propose them a scheme of arrangement (composition).

Article 460

In support of his petition the trader is required to submit his compulsory trade books, kept in accordance with regulations for the last three years, or since the beginning of his going into trade in which he has engaged for at least three years; the evidence of his registration on the trade register; a detailed estimate statement of his operations; a list of all his creditors, stating their names, the figure of their respective claims and their domicile; and, in the case of a company, all such documents as may prove that the company has been formed in conformity with regulations.

The trader shall state the reasons which have prompted him to petition for a scheme of arrangement. He shall indicate the dividends which he intends to propose to his creditors or the reasons for which he may not immediately declare his proposals. He shall equally state the real or personal guarantees that he offers his creditors.

In all cases, the proposed dividend must be at least 50% of his unsecured claims payable within a year, of 75% if maturity is within eighteen months, of 100 if it is three years away.

Article 461

The Court, after hearing the Public prosecutor, shall be required to declare the petition unreceivable

- 1 - If the petitioner has failed to deposit the books and documents designated in the preceding article;
- 2 - If the petitioner has been previously convicted for fraudulent bankruptcy, forgery, theft, breach of trust, swindling, embezzlement of public funds, or if he has not honored commitments to which he has pledged himself on the occasion of a previous scheme or if, having been declared insolvent, he has not fully paid all his creditors or has failed to meet in full the obligations deriving from composition;
- 3 - If he offers no serious guarantees enabling him to pay the proposed dividend;
- 4 - If he has absconded after closing down all his stores or if he has embezzled or fraudulently reduced his patrimony.

In all such cases, the Court shall officially adjudicate insolvency, if the trader has stopped paying out his trade debts.

Article 462

If the Court acknowledges that the petition is in order and receivable, it shall ordain, by a ruling subject to no appeal, the convocation of creditors before a judge delegated to discuss and debate the proposal of the scheme of arrangement.

It shall designate the place, the day and the hour of the meeting, within a maximum 30 days dating from the ruling, as well as the time-limit in which such ruling shall be published and notified to the creditors.

It shall appoint a trustee, who may not be one of the creditors, whose duty will consist in supervising, meanwhile, the management of the business, the auditing of its liabilities and assets, *examining how* the debtor has acted and submit a report to the meeting of creditors.

It shall allow the petitioner a time-limit not exceeding five days so that he may complete the nominal list of all his creditors, whenever the trader has stated in his petition the reasons why it is impossible for him to produce such a complete list immediately.

At the diligence and under the signature of the delegated judge and the Clerk, the ruling shall be mentioned immediately after the last entries on the books, which shall be returned to the petitioner.

Article 463

The ruling shall be, at the Clerk's diligence, published by means of posters affixed on the Court door and by an abstract inserted in a media of legal advertising, and entered on the trade register, as shall be determined by the time-limit set down in the ruling itself.

If the nominal list of the creditors is incomplete or if a wider publicity is deemed necessary, the Court may designate other newspapers, even foreign ones, in which an insertion shall have to be made.

The Clerk shall communicate to each creditor, by registered letter or by cable according to what the distance may require, a notice setting out the names of the debtor, of the delegated judge and the trustee, the date of the ruling summoning the creditors, the place and date of the meeting, with summary indication of the debtor's proposals.

The documentary evidence proving that the publication and communications to the creditors have been made, must be annexed to the file.

Article 464

Beginning from the filing of the petition and until the ruling in confirmation of the scheme arrangement has gained power as an adjudicated matter, no creditor in possession of a claim prior to the ruling shall be allowed, under penalty of nullity, to initiate or proceed with action for enforcement, acquire a preferential claim whatsoever on the debtor's property, nor have a mortgage registered.

Prescriptions, time-limitations or forfeitures, which would be **interrupted** s,...

Ordinary claims having no preferential rights shall be considered as forfeited and the running of interests shall be suspended in respect of the creditors only.

The sums due by way of taxes, even preferentials, shall not be submitted to the effects provided in the present article.

Article 465

Throughout the procedure of the scheme of arrangement, the debtor shall retain the management of his property and shall continue all normal operations pertaining to his enterprise, under the trustee's supervision and the directives of the delegated judge. Both can always examine the trade books.

Article 466

Donations and other acts, gratuitous or as security, granted by the debtor in the course of procedure, shall be no bar to the creditors.

It shall be likewise with acts by which the debtor shall have acquired loans, even in the form of a Bill of Exchange, operated transactions or compromises, granted transfers of property which are not within the scope of trade, mortgages or pledges, without the authorization of the delegated judge, who shall not give such authorization except in cases of evident utility.

Article 467

Should the debtor contravene the provisions of the preceding two articles or if it is proven that he has concealed part of his assets or that he has fraudulently omitted certain claims or, broadly speaking, committed any fraud, the delegated judge shall refer the matter to the Court Council Chamber, which shall adjudicate insolvency, without prejudice to other penal sanctions incurred by the trader.

Article 468

After examining the debtor's books and titles and with such information as he may be able to gather, the trustee shall check the list of creditors and debtors, entering thereon all the necessary modifications with indication of the respective amount of claims and debts. If necessary, he shall require the interested parties to furnish useful clarifications.

He shall then draft a detailed report on the debtor's trading situation and his administration, depositing such report in the Clerk's office at least three days before the meeting provided for the arrangement scheme.

Article 469

The creditor's meeting shall be chaired by the delegated judge.

Any creditor may have himself represented by a special proxy duly vested with power; such power may be given in writing and without formality, on the letter or telegram giving notice of the meeting

The debtor or his legal representative shall have to appear in person. Representation by special proxy shall be admitted only in the event of the debtor's absolute impediment established by the delegated judge.

Following the reading of the trustee's report, the debtor shall table his final proposals.

If, at the appointed day, it is not possible to terminate all the operations, continuation shall be reputed adjourned to the nearest working day, without further notice to the creditors even the absentees, and so forth until the end of the operations.

Article 470

Any creditor may put forward the reasons for which he considers as challengeable such or such a claim, or the debtor as undeserving the favor he claims, or the proposals tabled by him as unacceptable.

The debtor shall be entitled to answer and shall have to furnish all the clarifications that may be requested.

Summary mention of these incidents shall be made in the proces-verbal, to which the documents shall be attached.

Article 471

The scheme of arrangement shall have to be approved by all the creditors who have cast their votes and who shall be required to represent at least three-fourths of all the claims unpreferential or unguaranteed by mortgage or by pledge.

Creditors in possession of a mortgage, a preference or a pledge may however combine to form this majority, if they renounce using their surety.

Such renunciation may apply only to part of the claim and its accessories, provided that the portion of the sum for which it occurs is determined and is no less than one-third of the aggregate amount of the claims.

The vote cast without declaration of limited renunciation and the subsequent adherence to the agreement which shall be dealt with hereinafter carry, as a matter of right, renunciation of the surety over the entire claim.

The Court, in its ruling of confirmation, shall take into account the possible increase of the debtor's assets as a result of these votes or of these adherences.

The effects of renouncing a preference, a mortgage or a pledge, even partial, shall rightfully cease, whenever the scheme has not materialized or has been cancelled.

Article 472

To form the majority indicated in the preceding article, claims of the debtor's spouse shall not be accounted, nor shall be those of family relations and relations by marriage up to the fourth degree inclusive.

Shall equally be excluded from the vote the transferees and purchasing parties of such claims in the year preceding the petition for an arrangement scheme.

Conveyance of claims subsequent to the ruling summoning the creditors shall be no title to voting on the scheme.

Article 473

The delegated judge shall have the adherence entered in the proces-verbal which shall be signed by all the adherents.

In the majority, account shall be taken of the adherences sent by cable or letter, addressed to the delegated judge or the Clerk within five days following the closure of the proces-verbal of the meeting.

These adherences shall be entered by the Clerk, on the margin of the proces-verbal, and annexed.

Article 474

By ordinance in the proces-verbal before the affixing of signatures, the delegated judge shall refer the parties to a determined session of the Court for confirmation of the scheme, within a maximum time limit of 20 days.

Article 475

Three days before the Court session set for confirmation, the trustee shall deposit in the Clerk's office his findings on whether the scheme of arrangement is receivable.

At the session the delegated judge shall table his report. Both the debtor and the creditors shall be entitled to intervene in the proceedings.

The Court may summon the trustee to the Council Chamber to ask him for information, subject to prior notice to the debtor and creditors who may have intervened.

Article 476

The Court, in its award of *confirmation*, shall appreciate in a provisional *manner and* through presumption, the importance and the amount of the declared claims, so as to establish if the required majority exists, without prejudice to the definitive rulings that they may intervene.

Article 477

The Court, if it acknowledges that the debtor deserves the benefit of a composition, that the oppositions referred to in the preceding articles allow the existence of the required majority, that the composition proposals not less than the legal minimum are legitimate and that the execution thereof is assured, shall grant the solicited confirmation. -

In the same ruling, it shall ordain the delivery of the dividend which may be assigned to the declared claims.

If, on the contrary, confirmation is not *granted*, the Court shall adjudicate insolvency, as a matter of course.

Article 478

Except for a contrary covenant consented in the scheme in another deliberation, taken within the framework of the aforementioned conditions and confirmed by the Court, the debtor shall not be entitled, prior to executing in full the commitments set down in the scheme, to alienate or mortgage his buildings, engage in pledge, or in general divert part of his assets in a manner other than that which is required by the nature of his trade and of his industry.

Any act performed in violation of this prohibition shall be of no effect in respect of creditors prior to the confirmation of the scheme.

Article 479

Rulings granting or rejecting the confirmation of a scheme shall be published in accordance with the rules which shall be laid down hereinafter for the order adjudicating insolvency.

Article 480

Dissenting creditors may, within five days of the final closure of the proces-verbal, oppose the confirmation of the scheme of arrangement. Such opposition must be motivated and notified to the debtor and the trustee.

Appeal is receivable only from the debtor himself and from those creditors who have moved an opposition. The time-limit for appeal is fifteen days.

As soon as the award of confirmation has become final, the trustee's functions officially come to an end, except if a specific clause of the scheme of arrangement had charged the trustee with the control of its execution.

The charges and sums which shall be due to the latter shall be set by the delegated judge; any agreement to the contrary is void.

Article 481

Approval shall render the scheme of arrangement enforceable upon all the creditors.

The creditors, even if they have voluntarily agreed to the scheme, shall retain all their rights unimpaired against all codebtors, the debtor's transferees and securities, who may however intervene in the instance to table their remarks on the scheme of arrangement.

Article 482

The benefit of the scheme of arrangement granted to a company applies even to those partners who are personally held for the company's liabilities, except for provisions to the contrary.

Article 483

In the case of any trading company having issued debentures amounting to more than twenty per cent of total liabilities, the scheme of arrangement may be granted only in so far as the proposals have been approved by the meeting of debenture-holders, deliberating in accordance with the terms of quorum and majority laid down for joint-stock companies.

The adherence of the group of debenture-holders would always be required, irrespective of the ratio of debenture-holder liabilities to total liabilities, when the scheme of arrangement should include special conditions not conforming to those which might have been fixed at the time of issue in respect of debenture-holders.

Article 484

Whenever it shall become useful to convene a meeting of the debenture holders, the time-limit which has been stated above for the convening of creditors may be extended up to 60 days.

Article 485

Holders of debentures with redemption premiums shall produce not only for the price of issue, but also for that portion of the premium which the time elapsed has earned them.

Article 486

On the request of any creditor, put forward within three years dating from the publication of the award of confirmation, the Court may cancel the scheme of arrangement and declare the debtor's insolvency, if it is proved that the latter has fraudulently inflated his liabilities or concealed an appreciable part of his assets.

No other action in nullity of the scheme of arrangement shall be received after its confirmation.

Should the scheme of arrangement be cancelled, the sureties who have not been party to the fraud shall be released of the commitments accepted by them in the scheme, and the mortgages and other guarantees constituted in the same deed shall lapse as a matter of right.

Article 487

If the debtor fails to discharge in full his obligations under the scheme of arrangement, any creditor may - after the sureties have been discussed and the rights conceded by way of guarantee have been asserted - cancel the scheme and have the debtor's insolvency adjudicated.

Article 488

The scheme of arrangement may have provided that the trader shall be definitively released of the reduction under the scheme only if **he does not revert to better fortune**, but the application of this clause must be limited to a period of five years, and to the case **when the debtor's assets happened to exceed his liabilities by** at least twenty-five per cent.

TITLE II - INSOLVENCY (1)

CHAPTER 1 - Opening of insolvency

Article 489

Subject to the enforcement of the provisions of the preceding title, is in state of insolvency any trader who suspends the payment of his trade debts or who upholds his credit only by means manifestly illicit.

Article 490

Insolvency is declared by adjudication of the Court of primary jurisdiction in the principal place of business.

Such adjudication is provisionally executory.

If several Courts should simultaneously adjudicate insolvency to the same trader, there would be a case for settlement by judges.

The aforementioned Court is competent to take cognizance of all actions stemming from the rules proper to *insolvency*.

Article 491

The Court may be acquainted first by the trader's own declaration; the trader is bound, under penalty of committing an offence of simple bankruptcy, to make this declaration within twenty days of his suspending payments, at the same time as he submits a detailed balance sheet duly certified true to the situation of his liabilities and assets.

Article 492

The Court may also be acquainted by the writ of one or several creditors, which shall be served within three days. In urgent cases, such as when the trader has closed his stores and absconded, or has caused the disappearance of a substantial portion of his assets, the creditors shall be entitled to act by mere petition without a writ of summons. In this event the Court shall adjudicate in Council Chamber.

Article 493

The Court is entitled to decree the conservation measures required to safeguard the creditors' rights, either on order from the Public Prosecutor's office, or on its own initiative.

It could even, if need be, adjudicate insolvency, in its own right.

(1) In the present legislative text, "insolvency" is meant to connote the French word "faillite", whereas "bankruptcy" is meant to connote the French word "banqueroute".

Article 494

The insolvency of a trader who has retired from business or is deceased may be pronounced within the year of the suspension of trading or of death if the facts of suspension of payment are prior to these events.

But the deceased trader's heirs may not themselves petition for his insolvency.

Article 495

The adjudication of insolvency determines the period in which payments have been suspended.

But this period may be fixed at an older date by one or several carry-over rulings pronounced subsequently on the commissioner-judge's report, either officially, or on the request of any interested party, notably the creditors acting individually.

Such a request shall not be receivable after the time-limit set by article 551, at the end of which the statement of the debts is definitively closed. At the expiry of this time-limit, the period of suspension of payment shall remain irrevocably determined in relation to the creditors.

The period of suspension of payments may not be fixed to a prior date of more than eighteen months from adjudication of insolvency.

Article 496

The adjudication of insolvency, as well as the carry-over ruling of the date of suspension of payment must be, through the good offices of Receivers, posted within five days in the Court auditorium which has pronounced them and in the premises of the nearest Exchange. They must equally be inserted by abstracts in a press medium, within the same time-limit.

This publicity shall be made in the district where insolvency has been declared as well as in the various places where the insolvent has trading establishments.

The said adjudication and ruling shall equally be entered on the trade register .and communicated to the public prosecutor, through the good offices of the Clerk.

Article 497

Adjudication and ruling are subject to opposition and appeal. The same applies in respect of all rulings in insolvency matters, except for provisions to the contrary in the present code.

The time-limits for opposition shall be of a uniform eight days and the time-limits of appeal of fifteen days, dating from the rulings. **However as regards those rulings** subject to publicity formalities and insertion by abstract in newspapers, the time-limits are computed from the **day when formalities have been completed**. Appeal is judged by the Court within three months.

Article 498

When in the course of a civil, commercial or penal suit, the judges incidentally ascertain the evident insolvent state of a trader, they may, though insolvency has not been declared, apply its basic rules as they are laid down in the present book.

CHAPTER 2 - Immediate effects of adjudication of insolvency

Article 499

The name of tradesmen declared insolvent and not rehabilitated shall be posted on a notice board at the door of each court and in the Ring of all Exchanges.

Such posting does not take place if the tradesman was dead at the time of adjudication of insolvency, and it shall be struck off within six months of his death in all other cases.

Article 500

Every insolvent is additionally the object of civic forfeitures : he is no longer an elector, nor is he eligible to political or professional assemblies; he can hold no public office or function.

Article 501

The adjudication of insolvency carries with it, as a matter of course, from the very day it was declared, relinquishment by the insolvent in favor of Receivers, of the management of all his property, even of those which may revert to him during the period of insolvency.

The insolvent may not notably alienate any item of his property; he can no longer effect any payment, nor receive any, unless this concerns the settlement made in good faith of a trade dill; he can contract no obligation, or take legal proceedings, except as party to the case in actions initiated by the Receivers.

But he may take all conservation actions designed to safeguard his rights.

Article 502

Excluded from relinquishment are those rights attaching exclusively to the person of the insolvent or to his quality as family head as well as those which may put at stake an interest of an essentially moral order, except where Receivers are intervening parties in a suit which is to lead to a conviction involving money.

Equally outside the scope of relinquishment are those items of property which by law are not subject to distraint, as well as earnings which the insolvent can secure by his activity or his industry, so long as they remain within the limits set by the commissioner-judge as corresponding to the needs of his subsistence and that of his family.

Article 503

Adjudication of insolvency suspends, in relation to unsecured creditors and creditors provided with general preference, individual proceedings which are henceforth in the hands of Receivers, no distinction-being drawn between a civil or a trade debt.

Article 504

The adjudication of insolvency suspends, in relation to capital stock only, the run of interests on debts not guaranteed by a preference, a pledge or a mortgage.

The interests on guaranteed debts may not be claimed except on sums resulting from the sale of goods pertaining to surety.

Article 505

The adjudication of insolvency entails in relation to the insolvent, but not in relation to his -co-obligees, the forfeiture of the term, even on behalf of such creditors as may hold a surety.

Holders of debentures with redemption premiums shall deliver particulars immediately as has been provided under the title of the scheme of arrangement.

Article 506

If the insolvent is the owner of buildings or the holder of actual real estate rights, the adjudication of insolvency is submitted to the rules of publicity applicable on mortgages. It is inscribed through the Receivers' care and gives rise, from the date of inscription, to a compulsory mortgage on behalf of capital stock.

Article 507

Are void, relatively to the capital stock, when they have been made by the debtor, from the period of suspension of payment such as has been laid down by the Court or within twenty days prior to such period:

- 1 - Gratuitous acts and conveyances, except the usual minimal donations, the creation of wakfs (endowments for charitable purposes).
- 2 - Advance payments, under any form they may have been made.
- 3 - Payment of mature cash debts effected otherwise than in cash, Bills of Exchange, money orders and broadly speaking any giving in payment.

4- The creation of a conventional or juridical mortgage, or a pledge or other surety on a debtor's goods as collateral of a prior debt.

When the giving in payment has been effected through the conveyance of a building, nullity shall have effect only in relation to the **creditor who has** dealt with the insolvent and shall not impair the rights of subsequent acquirers by way of payment, if such acquirers have acted in good faith.

Article 508

All other payments effected by the debtor for mature debts and all other acts he has transacted against considerations after the suspension of payments and before the adjudication of insolvency, may be made void if, on the part of those who have received from him or dealt with him, such acts have occurred with due knowledge of the suspension of payment.

Article 509

The cancellation of the aforementioned acts shall give rise to proceedings for return.

In the case of payment of a Bill of Exchange or of a cheque, proceedings may not be taken except against the person for whose account the Bill has been provided. If it is a promissory note, proceedings may be taken only against the first endorser. In either case, proof must be established that the person from whom restitution is demanded was aware of the suspension of payment at the time when the title was issued.

Article 510

Shall be void relatively to capital stock the inscriptions of mortgages made after the registration of the adjudication of insolvency.

Shall be subject to nullity such inscriptions as have been taken after the period of suspension of payments or within the twenty days preceding it, if more than fifteen days have elapsed between the date of the creation of the surety and that of inscription, and if the delay has caused prejudice to the creditors.

Article 511

The actions in nullity provided under articles 507, 508 and 510 shall be time-limited to eighteen months from the day of the adjudication of insolvency.

CIL42TER 3 - Insolvency procedure

Section 1 - Insolvency organs

Article 512

The management of the insolvent's patrimony is entrusted to a salaried proxy, the Receiver.

The adjudication of insolvency appoints one or several Receivers.

The number of Receivers may be, at any period, raised to three; their charges and fees shall be taxed by the commissioner-judge, in conformity with the rates annexed to Legislative Decree N° 79 L of 13 March 1933. The debtor and *creditors* **may oppose the tax** within eight days; opposition shall be dealt with by the Court in Council Chamber.

Article 513

By ordinance of the commissioner-judge, one or two supervisors may, at any period, be appointed from among those creditors who have applied for the function.

Article 514

None of the family relations or the relations by marriage of the insolvent up to the fourth degree inclusive may be appointed Receiver.

Article 515

If the case requires the addition or replacement of one or several Receivers, the matter shall be referred to the commissioner-judge who shall proceed with the appointment.

Article 516

If several Receivers have been appointed, they cannot act but collectively. However, one or several of them may be given special authority by the commissioner-judge to act separately in certain acts of administration. In the latter case the authorized receivers shall be solely liable.

Article 517

If any complaints arise against any of the Receivers' operations, the commissioner-judge shall deal with the case within three days.

The commissioner-judge's decision shall be provisionally executory.

Article 518

The commissioner-judge may, either on complaints filed by the insolvent or by the creditors, or even in discharge of his duties, propose the dismissal of one or several of the Receivers.

If within eight days the commissioner-judge has not done justice to the complaints addressed to him, such complaints may be brought before the Court.

The Court, in Council Chamber, shall hear the commissioner-judge's report and the Receivers' explanations and shall in the course of the sitting give its verdict on the dismissal.

Article 519

Ruling in respect of the appointment or the dismissal of Receivers is open to no appeal.

Article 520

In its adjudication of insolvency, the Court shall designate one of its members as commissioner-judge.

Article 521

The commissioner-judge shall be specially charged to speed up and supervise the operations and management of the insolvency.

He shall report to the Court on all the issues that the insolvency may give rise to and which shall be within the competence of- this Court.

Article 522

The commissioner-judge's ordinances are immediately lodged in the Clerk's office.

They shall in all cases be subject to opposition from any interested party before the Court, which may intervene officially. Opposition shall be formed by simple declaration in the Clerk's office within five days dating from the ordinance. The Court shall deal with the case within eight days by a ruling open to no recourse.

Article 523

The Court may, at any time, replace the commissioner-judge pertaining to the insolvency by another from its own members, no recourse being possible against this ruling nor against that appointing the commissioner-judge.

Section 2 - Management of the insolvency's estate

Article 524

By its adjudication of insolvency, the Court ordains the affixing of the seals. It may, at any event; ordain that the insolvent shall be forcibly arrested and brought before it. In no case can the insolvent move away from his domicile without the commissioner-judge's authorization.

If the commissioner-judge is of the opinion that insolvent's assets can be stock-taken in a single day, no seals shall be affixed, and it shall be immediately proceeded with stock-taking.

Article 525

The Court's clerk shall immediately address to the conciliation magistrate notice of the provision of the ruling which has ordained the affixing of the seals.

The conciliation magistrate may, even before the ruling, affix the seals either in his official capacity, or on the request of **one or several creditors, but** only in the event of the disappearance of the debtor or of embezzlement of the whole or part of his assets.

Article 526

Seals shall be affixed on the insolvent's stores, counters, cash desks, portfolios, books, papers, furniture and belongings.

In the event of the failure of a private company, seals shall be affixed not only on the main establishment of the company, but also on the individual domicile of each of the joint partners.

In all cases, the conciliation magistrate shall immediately notify the Court President of the affixing of the seals.

Article 527

If the affixing of the seals had not occurred before the appointment of the Receivers, the latter should require the *conciliation magistrate* to proceed therewith.

Article 528

On the Receivers' request, the commissioner-judge shall dispense them from placing under seals, or authorize them to withdraw therefrom : the clothes, wardrobe, furniture and belongings necessary to the insolvent and his family and whose delivery shall be authorized by the commissioner-judge, on the statement which shall be submitted by the Receivers.

He may grant the same exemption for

- 1 - Perishable objects or objects subject to impending depreciation;
- 2 - Objects used in the exploitation of the stock-in-trade, when such exploitation could not be interrupted without prejudice to the creditors.

The objects comprised within the preceding two paragraphs shall be immediately entered on the stock list, and valued by the Receivers, in the presence of the conciliation magistrate who shall sign the proces-verbal

Article 529

Sale of the perishable objects or of objects subject to impending depreciation, or costly to keep, shall be left to the care of the Receivers duly authorized by the commissioner-judge.

Exploitation of the stock-in-trade through the good offices of the Receivers shall not be authorized by the Court, on the evidence of the commissioner-judge's report, except when public interest or the creditors' should imperatively request it.

Article 530

The books shall be extracted from the seals and remitted by the conciliation magistrate to the Receivers, after having been closed by him; he shall summarily state in his report the condition in which they have been found.

Short maturity Bills likely to be accepted, or for which conservation action must be taken shall also be extracted from the seals by the conciliation magistrate, described and remitted to the Receivers for recovery. Statement thereof shall be remitted to the commissioner judge.

The other claims shall be recovered by the Receivers against their receipts Letters addressed to the insolvent shall be remitted to the **Receivers who shall open** them; the insolvent may, **if he is present, attend the opening.**

Article 531

The insolvent may obtain for himself and his family, out of the assets of the insolvency, allowances for food which shall be fixed, on the receivers' proposal, by the commissioner-judge.

Article 532

The Receivers shall call the insolvent to come to them to close the books in his presence.

If he does not respond to the invitation, he shall be summoned to appear within forty-eight hours, at latest.

He may appear by proxy, if he established causes of impediment *which the* commissioner-judge acknowledges as valid.

Article 533

In the event when the balance sheet had not been deposited by the insolvent, the Receivers shall strike it immediately on the evidence of the insolvent's books and papers as well as on information which they shall procure, and shall deposit it in the Clerk's office of the Court.

Article 534

The commissioner-judge is authorized to hear the insolvent, his clerks and employees and any other person, on the formation of the balance sheet as well as on the causes and circumstances of the insolvency.

Article 535

When a tradesman has been declared insolvent after his death, or when the insolvent happens to die after the adjudication of insolvency, his widow, his children, his heirs may present themselves or have themselves represented to stand in his place in the formation of the balance sheet, as well as in all other operations of the insolvency.

Article 536

Within three days of the affixing of the seals, or of the adjudication of insolvency whenever such a measure had occurred prior, the Receivers shall request the lifting of the seals and proceed with the stock-taking of the personal chattel of the insolvent, who shall attend or be duly called.

Article 537

Stock-taking shall be established in duplicate minute by the Receivers as and when the seals are removed, and in the presence of the conciliation magistrate who shall sign at every sitting. One of these minutes shall be lodged in the Clerk's office of the Court within 24 hours; the other shall remain in the hands of the Receivers.

Receivers are free to have themselves assisted by whomsoever they deem suitable, **in the listing as well as** the valuation of the objects.

Shall be subject to checking those objects which, in conformity with what has been said previously, had been exempted from the seals or had been extracted therefrom and had already been stocklisted and valued.

Article 538

In the event of adjudication of insolvency after death, when no stock-taking has occurred prior to this adjudication, or in the case of the insolvent's death before the opening of the stock-taking, this shall be immediately proceeded with within the forms of the preceding article and in the presence of the heirs or them who-have been duly called.

Article 539

In any insolvency, Receivers are required, within fifteen clear days of their taking office, to remit the commissioner-judge a memo or summary account of the apparent state of the insolvency, of its main causes, circumstances and characters as may outwardly appear.

The commissioner-judge shall immediately transmit the memos, with his remarks, to the public prosecutor. If they have to advise the public prosecutor indicating the causes of the delay.

Article 540

Officers from the public prosecutor's office shall be authorized to go to the insolvent's domicile and attend stock-taking.

They shall be entitled at any time to request communication of all the deeds, books or papers relevant to the insolvency.

Article 541

At the close of stock-taking, the goods, money, credit claims, books and papers, furniture and the debtor's personal belongings shall be handed over to the Receivers, who shall take charge thereof at the bottom of the stock-list.

Article 542

Dating from their going into office, Receivers are required to transact all acts for the conservation of the insolvent's rights against his debtors.

They shall also be bound to require the inscription of mortgages on the buildings of the insolvent's debtors, if such inscription has not been requested by him; inscription shall be taken on behalf of the capital stock by the Receivers who shall attach to their statements a certificate proving their appointment.

Finally, Receivers shall be bound to take *inscription of the forced mortgage* of the capital stock, which has been referred to above.

Article 543

Under the supervision of the commissioner-judge, Receivers shall continue to proceed with the recovery of the asset debts.

Article 544

After having heard the insolvent or duly summoned him, the commissioner-judge may authorize the Receivers to proceed with the sale of the movable chattel or merchandise.

He shall decide if the sale be made in private or by public auction through the executive office.

Having heard the insolvent and after having further requested the advice of the supervisors, if any have been appointed, Receivers may with the same authorization exceptionally proceed with the sale of the buildings, preferably those which are not necessary for the commercial exploitation, such sale to be conducted according to the forms outlined hereinafter for the transfer of immovable after union.

Article 545

After subtracting the sums adjudicated by the commissioner-judge for the amount of expenses and charges, proceeds from sales and recoveries shall be immediately paid into a bank duly approved for the receipt of State deposits. Proof of such payments shall be evidenced to the commissioner-judge within three days of the receipt of proceeds; in the event of delay, Receivers shall be held for the interests of those sums they have not paid in.

The money paid in by Receivers and all other sums remitted by third parties, for the insolvent's account, may not be withdrawn except by virtue of an ordinance from the commissioner-judge. Should there be oppositions, the Receivers must obtain prior repletion.

The commissioner-judge may ordain that payment shall be made by the bank direct into the hands of the insolvent's creditors, according to a statement of distribution laid down by the Receiver and ordered by him.

Article 546

I

With the authorization of the commissioner-judge and after the insolvent has been duly summoned, Receivers may compromise on all disputes regarding capital stock, even those disputes relative to realty rights and actions.

If the deal is of an undetermined value or of a value exceeding five hundred pounds, it shall have to be approved by the Court.

The insolvent shall be summoned for the approval; he shall in all cases be entitled to oppose it. His opposition will be sufficient to stop the deal, if this involves real estate.

Acts of relinquishment, renunciation or acceptance may not be performed by Receivers except on the same conditions.

Section 3 - Proof of Liabilities

Article 547

Dating from the adjudication of insolvency, creditors may lodge with the Receivers their titles with a statement listing the documents remitted and the sums claimed. The statement is signed by the creditor or by his agent whose power of proxy must be attached.

Receivers give a receipt of the dossier of the documents produced; this dossier may be addressed to them by registered mail, with acknowledgement of receipt.

After the meeting for the scheme of arrangement, Receivers return the documents which have been entrusted to them; they are liable for the titles for one year only dating from this meeting.

Article 548

Creditors entered on the balance sheet who have not produced their claims within eight days of the adjudication of insolvency are, on the expiry of this time-limit, advised by insertions in newspapers or by letters from the Receivers that they are to submit their titles and

Article 553

The Court shall provisionally decide that the creditor shall be admitted to the deliberations for a sum which the same ruling shall determine. This ruling shall be open to no recourse.

Article 554

The creditor, whose preference or mortgage only is contested, shall be admitted to the deliberations of the insolvency, as an ordinary creditor.

Article 555

If they fail to appear and to produce (the documents) within the time-limits applicable to them, defaulters known and unknown shall not be comprised in the distribution; however recourse to appeal shall be open to them until the **money distribution** inclusively; the appeal charges shall always be borne by them.

Their opposition may not suspend the distribution ordained by the commissioner-judge; but if new allotments occur before their opposition has been dealt with, they shall be comprised for the sum which shall be provisionally determined by the Court and which shall be held over as reserve until adjudication on their opposition.

If they are subsequently acknowledged as creditors, they shall not be authorized to claim anything from the allotments ordained by the commissioner-judge; but they shall be entitled to draw against the assets as yet undistributed **the dividends relating to** their claims in the first allotments.

Article 556

Debentures issued according to regulations by a trading company shall not be subject to this verification procedure.

CHAPTER 4 - Solutions to insolvency

Section 1 - Simple Scheme of Arrangement

Article 557

Within three days of the closing of the statement of debts or, in the event of dispute, within three days of the Court ruling in application of article 553, the commissioner-judge shall have the Clerk summon the creditors whose claims have been received in order to deliberate on the formation of the scheme of arrangement. The insertions in newspapers and the letters convening them shall indicate the purpose of the meeting.

The provisionally admitted creditors shall be advised individually by registered letter within three days of the decision taken by the Court in their respect.

Article 558

At the place, date and hour which shall be fixed by the commissioner-judge, the meeting shall be held under his chairmanship; the creditors admitted definitively or provisionally shall attend there in person or by proxy.

The insolvent shall be summoned to this meeting; he shall be required to attend in person and may not be represented there except for valid reasons duly approved by the commissioner-judge.

Article 559

The Receivers shall report to the meeting on the state of the insolvency, on the formalities that shall have to be fulfilled and the operation that will have taken place; the insolvent shall be given a hearing.

The Receiver's report will be remitted, duly signed by them, to the commissioner-judge who shall draft the proces-verbal of what has been said and decided in the meeting.

Article 560

Subject to nullity, the scheme of arrangement subsequent to insolvency may not be accepted by the deliberating creditors except if the following conditions have been met.

The scheme shall not be established except by the vote of a number of creditors forming the majority and representing, on the other hand, two thirds of the amount of the debts definitively admitted or admitted provisionally, in accordance with section 3 of chapter 3. However the claims of those who have not taken part in the vote shall be deducted for the assessment of majorities in relation to number and sums.

Shall be excluded from the vote the debtor's spouse, his family relations and relations by marriage up to the fourth degree as well as their transferees within the framework of the conditions laid down under the heading of scheme of arrangement.

Article 561

Mortgagees, pledgees and preferential creditors shall be entitled to the vote except if they relinquish their sureties, according to the conditions laid down under the heading of the scheme of arrangement.

Article 562

The scheme of arrangement shall be, subject to nullity, signed on the spot. If it is accepted only by a number majority or a majority of two-thirds of the sum, deliberation shall be continued within eight days, at the latest.

In this event, the creditors attending or legally represented having signed the proces-verbal of the first meeting, shall not be bound to attend the second meeting; the resolutions they have taken and the adherence they have given remain definitively acquired if they have not come to modify them in this last meeting.

The creditors' signature in the meetings may be replaced by a signature on a ballot-paper which is annexed to the proces-verbal

Article 563

If the insolvent has been convicted for fraudulent bankruptcy, the scheme of arrangement may not be formed.

When a preliminary investigation for fraudulent bankruptcy has been initiated, the creditors shall be convened to decide if they reserve themselves (the right) to discuss a scheme of arrangement, in case of discharge, and if, in consequence, they put off their decision, until after the end of the proceedings.

This delay may not be pronounced except by the majority of number and sums determined above. If, at the expiry of the delay, there is a case for deliberating a scheme of arrangement, the rules laid down by the preceding article shall apply to the new deliberations.

Article 564

If the insolvent has been convicted as simple bankrupt the scheme of arrangement may be formed. Nevertheless, if proceedings have been initiated, the creditors may postpone deliberations until after the end of the proceedings, conforming themselves to the provisions of the preceding article.

Article 565

If the case concerns a trading company having issued debentures, the scheme **of arrangement may** not be granted except if it is approved by the meeting of debenture-holders, having expressed their *opinion in* the case and according to the conditions specified under the heading of the scheme of arrangement.

Article 566

All the creditors who have been given right to join in the scheme or whose title has been acknowledged since, as well as the representatives of the debenture-holders group, if any, may oppose the scheme.

Subject to nullity, opposition shall be motivated and notified to the Receiver and the insolvent, within eight days dating from the scheme of arrangement or the meeting of the debentures-holders; it shall include a writ of summons to the first session of the Court.

If only one Receiver has been appointed and if he joins the contestants of the scheme, he will be required to call for the appointment of a new Receiver towards whom he shall have to fill the forms prescribed in the present article.

Article 567

Approval of the scheme of arrangement shall be pursued before the Court, at the request of the most diligent party, but the Court shall not adjudicate before the expiry of eight days as laid down in the preceding article.

If oppositions have taken shape during this period, the Court shall adjudicate on these oppositions and on the confirmation in one and the same ruling.

If opposition is entertained, cancellation of the scheme of arrangement shall be pronounced in relation to all the parties 'concerned.

Article 568

In all cases, before judgement is passed on the confirmation, the commissioner-judge shall report to the Court on the characters of the insolvency and the admissibility of the scheme of arrangement.

Article 569

If the aforementioned rules are not-observed, or when the motives stemming from public interest or from the creditors' interest shall appear likely to prevent the scheme of arrangement, the Court shall refuse its confirmation.

It shall likewise be allowed to refuse confirmation of the scheme if the latter does not embody a clause providing for the appointment by the Court president of one or several trustees intended to supervise its execution, to lift the mortgage on the capital stock, if the creditors have so authorized him, and to supervise the selling of the assets.

Article 570

The confirmation of the scheme of arrangement shall render it compulsory upon all creditors whether listed or not listed on the balance sheet, **checked or** not checked, and even on those creditors domiciled outside the Lebanese territory, as well as on those who had provisionally been admitted **to deliberate, whatever the sum which the Court** might subsequently allot them., .

But the scheme of arrangement shall be no bar to mortgagees and preferential creditors who have not relinquished their surety, nor to unsecured creditors whose claim was born in the course of the insolvency.

Article 571

As soon as the verdict of approval has gained power of enforcement, the effects of the insolvency shall cease, without prejudice to those civic forfeitures referred to in article 500.

The Receivers, whose functions come to an end, shall give final account to the insolvent in the presence of the commissioner-judge; this account shall be debated and closed. They shall remit the insolvent all his goods, books, papers and personal belongings. Discharge therefor shall be given by the insolvent.

A comprehensive report shall be drafted by the commissioner-judge whose duties shall cease.

In the event of disputed matters, the Court shall adjudicate.

Article 572

The scheme of arrangement implies time-limits for the payment of debts, which shall be staggered over successive installments. Likewise, it generally involves rebates to the debtor amounting to a more or less substantial portion of his liabilities, though such rebates leave behind them a natural obligation.

The scheme of arrangement may be granted only conditionally pending the return to better fortunes, according to the conditions laid down under the title of composition.

Article 573

Mortgage of the capital stock remains for the settlement of the dividend under the scheme of arrangement.

Article 574

Creditors can further demand that the execution of the scheme is guaranteed by one or several sureties.

Article 575

So long as the dividend under the scheme of arrangement has not been paid, the debtor shall not be entitled to perform acts of abnormal disposal and unrequired for the very operation of the trade, unless otherwise provided in accordance with the rules set down in this respect under the title of composition.

Article 576

No proceedings in nullity of the scheme of arrangement shall be receivable subsequently to the approval, except for a **fraud uncovered after this approval and** resulting either from the concealments of the assets or the feather-bedding of the liabilities.

Such proceedings may be initiated by any of the creditors, but only within the five years following the uncovering of the fraud.

The scheme of arrangement shall be equally cancelled following the condemnation of the insolvent for fraudulent bankruptcy.

Cancellation of the scheme of arrangement releases the sureties not accomplices to the fraud.

Article 577

When, after the confirmation of the scheme of arrangement, the insolvent is sued for fraudulent bankruptcy and placed under a warrant of deposit or arrest, the Court may prescribe such measures of conservation as it deems necessary. These measures shall cease, as a matter of right, on the day of the declaration that there is no case for proceedings, or adjudication of discharge, or absolution.

Article 578

Upon the failure of the insolvent to execute the conditions of the scheme of arrangement, the annulment of the scheme may be proceeded with against him before the Court, in the presence of the sureties, who would be duly summoned, if any exist.

Article 579

On sight of the conviction judgment for fraudulent bankruptcy, or by the ruling which shall pronounce cancellation, or the annulment of the scheme of arrangement, the Court shall appoint a commissioner-judge and one or several Receivers.

These Receivers may have the seals affixed.

They shall proceed without delay, with the assistance of the conciliation magistrate, on the old stock-taking, with the re-examination of the valuables and papers, and proceed, if the case so requires, with the fixing of a supplementary stock-taking.

They shall equally strike a supplementary balance sheet.

They shall immediately put up on billposts and insert in appropriate newspapers, alongside an abstract of the ruling appointing them, an invitation to the new creditors, if any exist, to produce within fifteen clear days their titles to claims for verification. Such verification is affected in the manner provided in section 3 of chapter 3.

Article 580

Verification of the titles to claims duly produced in accordance with the preceding article shall be proceeded with without delay.

It shall not be deemed necessary to undertake a fresh verification of the claims previously received and confirmed **without prejudice however to the rejection or reduction of those which since then had been paid totally or partially.**

Article 581

on the termination of these operations, if no fresh scheme of arrangement intervenes, the creditors shall be convened to voice their opinion on whether the Receivers should be maintained or replaced.

Article 582

Acts performed by the insolvent subsequently to the ruling of approval and prior to the cancellation or *annulment* of the scheme of arrangement shall not be void except in the event of fraud relative to the rights of the creditors.

Article 583

Creditors prior to the scheme of arrangement shall recover their rights in full in respect of the insolvent only, but they may not figure in the capital stock, except for the following proportions, namely : if they have received no share in the dividend, for the whole of their claims; if they have received part of the dividend, for the portion of their original claims corresponding to that portion of the promised dividend which they have not cashed.

The provisions of the present article shall be enforced in the event of a second insolvency occurring without prior cancellation or annulment of the scheme of arrangement.

Section 2 - Union

Article 584

When no scheme for arrangement has been reached, the creditors shall be in a state of union, as a matter of right.

The commissioner-judge shall immediately consult them as much on the facts of management as on the utility of maintaining or replacing the Receivers. Pledges, mortgagees and preferential creditors shall be admitted to this deliberation.

A proces-verbal shall be drafted on the saying and observations of the creditors, and on sight of this *document*, the Court shall appoint the Receivers of the union.

The Receivers who were not returned shall have to give account to the new Receivers in the presence of the commissioner-judge, the insolvent having been duly summoned.

Article 585

The creditors shall be consulted on whether assistance may be extended to the insolvent out of the assets of the insolvency.

When the majority of the attending creditors have consented, a sum may be granted to the insolvent by way of assistance out of the assets of the insolvency. The Receivers shall propose the portion, which shall be fixed by the commissioner-judge, except for an appeal in Court from the Receivers only.

Article 586

When a partnership is in insolvency, the creditors shall be entitled to grant a scheme of arrangement in favor of one or several of the partners.

In this event, all the assets of the partnership shall remain under the union regime. The personal chattel of those with whom the scheme has been granted shall be excluded, and the individual agreement concluded with them may not contain an undertaking to pay a dividend except on the assets foreign to the partnership assets.

The partner who has obtained an individual scheme of arrangement shall be discharged of every solidarity.

Article 587

The Receivers represent the bulk of creditors and are charged to proceed with liquidation.

However the creditors may give proxy for the continuation of the exploitation of the assets.

The deliberation which shall confer this proxy shall determine its duration and extent, as well as the sums which they shall be entitled to retain in their hands for the purpose of meeting expenses and charges. It may not be taken except in the presence of the commissioner-judge and at a three-quarters majority of the creditors in both number and sums.

Recourse to opposition shall be open against this deliberation to the insolvent and the dissenting creditors.

This opposition shall not suspend execution.

Article 588

When the Receivers' operations shall entail commitments in excess of the assets of the union, only the creditors who have authorized these operations shall be personally held beyond their share in the assets, but merely within the limits of the proxy they have given; they shall contribute at the prorate of their claims.

Article 589

The Receivers shall proceed with the recoveries which have not yet been effected.

They shall be authorized to consent transactions along the same *conditions as* in the previous period, notwithstanding opposition from the insolvent.

Regarding lump agreements, the creditors are required to deliberate thereon in the course of a meeting convened by the commissioner-judge, on the request of the Receiver or any other creditor, and the Court shall have to grant, *au-*, to the Receivers.

Article 590

Receivers must proceed with the sale of movable property of every nature, including the stock-in-trade, under the commissioner-judge's supervision and without it being necessary to call the insolvent, in accordance with the forms prescribed for the sale of movables during the preparatory period.

Article 591

If no proceedings for expropriation have been initiated before the period of the union, the Receivers alone shall be admitted to proceed with the sale; they shall be bound to proceed with it within eight days, subject to the authorization of the commissioner-judge and through the care of the executive office of the state of the assets.

Article 592

The Receivers shall compile the specifications on which tenders shall be invited. This deed shall contain the indications referred to in article 744 of the code of civil procedure.

Shall further be applied to the sale, in so far as their provisions are not excluded by the nature of this procedure, articles 746, 747 (1st paragraph), 753 to 761, 763 to 767, 778 to 792 of the code of civil procedure.

The tender shall be self-operative; it shall purge all preferences and mortgages.

Article 593

The creditors in a state of union shall be convened at least once in the first year, and, if need be in the following years, by the commissioner-judge.

In the course of these meetings the Receivers shall be required to account for their management.

Article 594

The amount of the assets, after deduction of the charges and expenses for the management of the insolvency, the assistance that might have been granted to the insolvent and his family and the sums paid over to the preferential creditors shall be apportioned among all the creditors at so many piastres per pound of their verified claims.

Article 595

To this effect the Receivers shall remit to the commissioner-judge a monthly statement on the situation of the insolvency and of the money deposited with the bank approved for the reception of State deposits; the commissioner-judge shall ordain, if need be, an apportionment among the creditors, fix the portion therefor and see to it that all the creditors are advised.

Article 596

No payment shall be made by the Receivers except on the representation of the title. The Receivers shall mention on the title the sum paid or ordinated by them.

However, should it be impossible to represent the title, the commissioner-judge may authorize payment on sight of the proces-verbal of verification.

In all cases, the creditor shall give discharge on the margin of the statement of apportionment.

Article 597

When the liquidation of the insolvency has been terminated, the creditors shall be convened by the commissioner-judge.

In this last meeting, the Receivers shall render account. The insolvent shall attend or be duly summoned.

The creditors shall give their opinion on whether the bankrupt is to be excused. A proces-verbal shall be drafted to this effect, in which every creditor shall be authorized to put down what he has to say and his remarks.

Before the closing of this meeting, the union shall be dissolved as a matter of course.

Article 598

The commissioner-judge shall table before the ,Court the deliberation of the creditors relative to the insolvent's grounds for excuse and a report on the characters and the circumstances of the insolvency.

The Court shall adjudicate on whether or not the insolvent is excusable.

Article 599

May not be declared excusable fraudulent bankrupts, persons convicted for forgery, theft, swindling or breach of trust, and the accountants of public funds.

Section 3 - Scheme of arrangement due to relinquishment of assets

Article 600

A scheme of arrangement may be granted for total or partial relinquishment of the insolvent's assets.

Conditions for the formation of this scheme are the same as those prescribed for the simple scheme of arrangement.

However, this scheme does not put an end to relinquishment in what concerns the abandoned chattel; such chattel is sold through the good offices of Receivers appointed in like manner as Receivers for the union. Sales and the apportionment of cash are submitted to the same rules as govern the case of union.

An abatement is allowed to the debtor over what is in excess. of his liabilities as against the proceeds of the sale of the relinquished assets.

Section 4 -Closure for insufficient assets

Article 601

If, at any time whatsoever, before the *confirmation of* the scheme of arrangement or the formation of the union, the course of the insolvency operations comes to a standstill due to short assets, the Court may, in the light of the commissioner-judge's report, pronounce, even officially, the closure of the insolvency operations.

This ruling shall restore every creditor to the performance of his individual actions.

Article 602

The insolvent or any other interested party may, at any time, have it rescinded by the Court, by proving that sufficient funds exist to meet the operational charges of the insolvency, or by *consigning to* the Receivers an adequate sum to provide thereto.

In all cases, charges for proceedings exercised by virtue of the preceding article shall be settled beforehand.

CHAPTER 5 - Special rights that may be advocated against the insolvency

Section 1 - Creditors with several co-debtors

Article 603

The creditor holding an undertaking by the *insolvent and* other joint obligees who are insolvent, shall participate in the distribution of all the capital stocks, and shall be entered therein for the nominal value of his title until full payment.

Article 604

No recourse by reason of paid dividends is open to insolvencies of joint obligees the ones against the others, except when the amalgamation of the dividends that would be yielded by these insolvencies would exceed the total of the claim, in principal and accessories, in which case such excess shall revert, according to the rotation order of the undertakings, to those joint obligees who would have the others as guarantors.

Article 605

If the creditor holding joint undertakings between the insolvent and other joint-obligees has received, before the insolvency, a first payment against his claim, he shall be included in the capital stock only after deduction of this first payment, and shall retain, in respect of what shall remain due, his rights against the joint obligee or the surety.

The joint obligee or the surety who shall have effected the partial payment shall be included in the same capital stock for that all he has paid in dis **charge of the insolvent.**

Article 606

Notwithstanding the scheme of arrangement, the creditors shall retain their action for the total of their claims against all the co-obligees of the bankrupt, who are entitled to intervene in the proceedings for the approval of the scheme of arrangement, so that they may put forward their remarks.

Section 2 - Recovery and retaining

Article 607

Third Parties, claiming to be the owners of chattel in the insolvent's possession, shall assert their right. The Receivers may, with the approval of the commissioner-judge, receive petitions for recovery. In case of a dispute the Court shall adjudicate after having heard the commissioner-judge.

Article 608

May be notably claimed remittances in trade Bills and other unpaid titles which shall be found in kind in the bankrupt's portfolio at the time of the opening of his insolvency, when such remittances have been made by the owner with the simple mandate that they should be recovered and their value kept at his disposal, or when they have been specifically earmarked by him for determined payments.

Equally subject to claiming are the banknotes deposited with the insolvent, if the depositor is in a position to identify them.

Article 609

Also subject to claiming, so long as they exist-in kind, wholly or partially, the goods consigned with the insolvent by way of deposit or for subsequent sale on the owner's behalf.

Even the price or portion of the price for such goods which has been neither paid nor compensated into current account between the bankrupt and the buyer, may be claimed.

Article 610

May be retained by the seller the goods and other movable chattel, sold by him, which have not been delivered to the insolvent or which have not yet been dispatched, either to him or to a Third Party for his account.

Article 611

In order to exercise his right of retaining, the seller may regain the possession of goods dispatched to the insolvent, so long as they **have not been** delivered to the latter's stores or in a place which he apparently could dispose of, or in the stores of a commissioner instructed to sell **them for the** bankrupt's account.

But the seller shall not be admitted to take action, if **the goods, before** their arrival, have been re-sold without fraud to a **sub-acquirer in good** faith.

Article 612

If the buyer has taken possession of the goods before his insolvency, the seller may not initiate proceedings for cancellation of the sale, neither for recovery, nor for preference.

Article 613

In cases where the seller is entitled to exercise his right of retaining, the Receivers, duly authorized by the commissioner-judge, shall have the power to demand the delivery of the goods by paying the agreed price to the seller.

Article 614

If the Receivers do not take this decision, the seller may have the sale cancelled and shall refund into the capital stock all the partial payments he has received.

He may obtain damages on the ground of prejudice which could be caused him through the non execution of the sale and produce therefor in the unsecured capital stock.

Article 615

Recovery rights of the bankrupt's wife shall be within the limits of the rules laid down hereinafter.

Section 3 - Pledges and preferential creditors over movables

Article 616

The insolvent's pledgee creditors as well as all those who have a special preference over movables, shall not be inscribed in the capital stock except for recollection.

Article 617

The Receivers may, at any time, with the commissioner-judge's authorization, withdraw the pledge in favor of the insolvency, by repaying the debt.

Article 618

In the event when the pledge has not been withdrawn by the Receivers, if it is sold by the creditor for a price which is in excess of the debt, the surplus shall be recovered by the Receivers. If the price is less than the debt, the pledgee shall be put to contribution, for the surplus, in the capital stock as ordinary creditor.

Article 619

The Receivers shall submit to the commissioner-judge a statement of the creditors claiming a preference over the movable chattel, and the commissioner-judge shall authorize, if need be, payment of these debts out of the first revenue.

If the preference is contested, the Court shall adjudicate.

Section 4 - Mortgagees and preferential creditors over immovable property

Article 620

When the distribution of the price of immovables has been made prior to that of the price of movable chattel, or simultaneously, the preferential creditors and mortgagees not settled out of the price of the immovable property shall compete proportionately to what is left owing them with the unsecured creditors, for the money belonging to the unsecured capital stock, provided however that their claims have been verified according to the forms laid down above.

Article 621

If one or several distributions of the money of movables precede the distribution of the price of immovable property, the verified preferential creditors and mortgagees shall compete in the allotment proportionately to their total claims, excepting, eventually, for diversions that shall be dealt with hereinafter.

Article 622

After the sale of the immovable property and the final settlement of the order between the mortgagees and preferential creditors, those among them who shall come in subsequent order against the price of the immovable property for the whole of their claim shall not receive the amount of their mortgage rank except after the subtraction of the sums they have received out of the unsecured capital stock.

The sums thus deducted shall not remain in the mortgagee capital stock, but shall revert to the unsecured capital stock for the benefit of which diversion shall be made.

Article 623

Concerning the mortgagee creditors who are in partial collocation in the distribution of the price of the immovable property, it shall be proceeded as follows : their rights over the unsecured capital stock shall be definitively settled according to the sums for which they shall remain creditors after their collocation in the immovable property, and the money they shall have received in excess of this proportion in the prior distribution, shall be deducted out of the amount of their mortgagee collocation and reversed into the unsecured capital stock.

Article 624

The creditors who are not set in useful order shall be considered as unsecured and submitted, as such, to the effects of the scheme of arrangement and of all the operations of the unsecured capital stock.

Section 5 -.Rights of the insolvent's wife

Article 625

In the event of the husband's insolvency, the wife shall recover in kind the immovable and movable property which she shall prove to have been her own before marriage, as well as those which have gratuitously reverted to her in the course of marriage.

It shall equally be so in respect of the chattel she acquired in the course of marriage by the use of money according to the conditions indicated above, provided that the declaration of use is expressly stipulated in the contract of acquisition and that the wife proves the origin of the money.

Article 626 j

Outside the hypothesis outlined in the second paragraph of the preceding article, the chattel acquired by the wife in the course of marriage, for a money consideration, shall be presumed paid out of the husband's money; they must be lumped to the insolvent's asset capital stock, except when the wife can furnish proof to the contrary.

Article 627

If the wife has paid debts for her husband, the legal presumption is that she did so with the latter's money and as a consequence she shall not be entitled to exercise any action in the insolvency, except for proof to the contrary.

Article 6213

When the husband is a trader at the time of the wedding ceremony, or when having no determined profession at the time, he has become a trader in the course of the year, the immovable property which belonged to him at the time of the wedding ceremony, or which intervened since, either through inheritance, or through donation between testamentary or persons living, shall solely be subject to the wife's mortgage.

Article 629

The wife whose husband was a trader at the time of the wedding ceremony, or whose husband, having then no other determined profession, has become a trader in the course of the year following this ceremony, shall not be entitled to exercise in the insolvency any action by reason of the advantages laid down in the marriage settlement, and in this event the creditors shall not be able, in what concerns them, to avail themselves of the advantages made by the wife to her husband in this same settlement.

Donations made in the course of marriage are equally void.

TITLE III - SUMMARY PROCEDURE

Article 630

If as a result of the balance sheet tabled by the insolvent or of subsequent information it is shown that the assets of the insolvency are not in excess of two thousand five hundred Lebanese Pounds, or if the dividend to be distributed does not appear to be over ten per cent, the Court may, either on its own initiative, or at the request of the creditors, ordain that the operations of the insolvency shall run their course in accordance with the procedure said to be summary.

Article 631

Summary procedure differs from the ordinary procedure of insolvency by the following particularities

1 - The time-limit of document presentation, opposition, appeal and other procedural time-limits set down in articles 49?, 512, 548, 556 and 579 of the present code are reduced by half. If the time-limit is fifteen clear days, it is reduced to eight days. The increase of the time-limit provided under article 548 in favor of creditors domiciled outside the Lebanese territory is subject to no reduction; 2 - The affixing of seals does not occur; 3 - Supervisors are not appointed; 4 - Disputes on claims are solved by the commissioner-judge, except for appeal, if any, before the Court; 5 - All transactions may be authorized by the commissioner-judge; *b* - *Only* one apportionment of the money takes place; ? - Disputes relative to the Receiver's accounts and his fees are solved by the commissioner-judge.

TITLE IV - BANKRUPTCIES

Article 632

Cases of simple bankruptcies shall be tried by the Courts of Misdemeanor Police, following proceedings from the Receivers, the creditors or the public prosecutor, and punished by a term of imprisonment from one month to a year subject to extenuating circumstances.

Article 633

Shall be declared simple bankrupt, any failing trader who shall find himself in one of the following cases

- 1 - If his personal expenses or the expenses of his house are deemed excessive;
- 2 - If he has used up large sums either in operations of sheer chance, or in fictitious Exchange operations or in commodities;
- 3 - If, subsequently to the period of suspension of payment and with intent to delay his insolvency, he made purchases for underselling; if, with the

- same intent, he resorted to loans, circulations of Bills, or other ruinous means to secure funds;
- 4- If, after suspension of his **payments, he paid a creditor to the prejudice of the capital stock.**

Article 634

May be declared simple bankrupt, any failing trader who shall find himself in one of the following situations

- 1- If he has contracted for the account of another, without receiving values in exchange, commitments deemed too considerable by comparison with his situation when he contracted them;
- 2- If he is adjudicated once more insolvent without having honored commitments from a previous scheme of arrangement;
- 3- If he has failed to conform to obligations relative to the trade register;
- 4- If within twenty days of his suspension of payments he has not made in the Clerk's office the declaration required by the present code, or if this declaration does not contain the names of all the jointly liable partners;
- 5- If he has not kept books and taken correct stock; if these books or stock-takings are incomplete or irregularly kept, or if they do not reflect the true position of his liabilities and assets, though there is no fraud.

Article 635

Charges for proceedings in simple bankruptcy initiated by the public prosecutor may in no case be debited to the capital stock.

In the event of a scheme of arrangement, recourse by the Public Treasury against the insolvent may not be exercised except after expiry of the terms granted by this agreement.

Article 636

Charges of proceedings brought by the Receivers in the name of creditors, shall be borne, in case of a discharge, by the capital stock, and if a conviction ensues, by the Public Treasury, except for its recourse against the insolvent, in conformity with the preceding article.

Article 637

The Receivers may not bring proceedings in simple bankruptcy, nor stand civil party to the case in the name of the capital stock, except after having been authorized by a deliberation taken by the individual majority of the attending creditors.

Article 638

Charges for proceedings moved by a creditor shall be borne, in the event of a conviction, by the Public Treasury; if there is discharge, by the proceeding creditor.

Article 639 (as modified by the Law of 30 September 1944)

Shall be declared fraudulent bankrupt and submitted to the penalties provided for fraudulent bankruptcy, any insolvent trader who has abstracted books, embezzled or concealed part of his assets or who, either in his writings, or by public acts or by commitments under private signature, or by his balance sheet, shall have acknowledged himself fraudulently debtor of sums that he did not owe.

Article 640

Charges for proceedings in fraudulent bankruptcy may not, in any case, be expensed on the capital stock.

If one or several creditors have stood civil parties in their personal name, the expenses, in case of discharge, shall remain on his charge.

Article 641

Shall be condemned to the penalties of fraudulent bankruptcy

- 1 - Individuals convicted of having in the interest of the insolvent, abstracted, received or concealed all or part of his movable or immovable chattel, this being without prejudice to other cases of complicity provided by the penal code;
- 2 - Individuals convicted of having fraudulently presented in the insolvency and asserted, either in their name or by the intervention of persons, supposed claims;
- 3 - Individuals *who*, carrying on trade under the name of another or a supposed name, have rendered themselves guilty of facts of fraudulent bankruptcy.

Article 642

The spouse, the descendants or ascendants of the insolvent, or his relations by marriage in the same degree, who would have embezzled, diverted or received Bills belonging to the insolvency, without having acted as accomplice to the insolvent, shall be subject to the penalties of theft.

Article 643

In the cases referred to in the preceding articles the tribunal or the Court shall adjudicate, even though there had been a discharge

- 1 - Officially upon the return to the capital stock of creditors, of all chattel, rights or actions fraudulently abstracted;
- 2 - On the damages which had been claimed and which the ruling or adjudication shall arbitrate.

Article 644

Any Receiver *who* shall have been guilty of embezzlements in his management shall be punished by way of correction under the penalties **for breach of trust**.

- 128 -

Article 645

The creditor who shall have stipulated, either with the insolvent, or with **any other person**, specific advantages against his vote in deliberations over the insolvency, or who shall have concluded a special agreement from which there would derive in his favor an advantage out of the *insolvent's assets*, shall be punished for misdemeanor by a term of imprisonment of between one month and a year and by a fine which shall not exceed 250 Lebanese Pounds, subject to extenuating circumstances

Imprisonment may be increased to two years, if the creditor is the Receiver of the insolvency.

Article 646

Additionally, covenants shall be declared void towards all persons and even in respect of the insolvent.

The creditor shall be required to return to whomsoever is legally qualified for the purpose the sums or values he shall have received by virtue of the cancelled agreements.

Article 647

All decisions and rulings from conviction pronounced by virtue of the provisions of the present title shall be posted and published, in accordance with

the forms established for the publicity of adjudication of insolvency. j

Article 648

Proceedings taken for simple or fraudulent bankruptcy entail no modification to the ordinary rules governing the administration of the insolvency.

Article 649

In this case, however, the Receivers shall be bound to remit to the public prosecutor the documents, titles, papers and information that shall be required of them.

Article 650

The documents, titles and papers delivered by the Receivers shall be held, throughout the course of investigation, for the communication via the Clerk's office. Such *communication shall* occur upon the request of the Receivers who may take therefrom private abstracts or require authentic ones which shall be dispatched by the Clerk.

The documents, titles and papers, the legal deposit of which has not been ordained, shall **be, following** the award or the ruling, remitted to the Receivers **who shall give discharge** therefor.

TITLE V - REHABILITATION

Article 651

When ten years have elapsed since the adjudication of insolvency, the insolvent non-bankrupt is rehabilitated as a matter of right, without formalities being completed. Such rehabilitation shall in no way impair the functions of the Receivers, if their term of office has not ended, nor the creditors' rights, in case the debtors have not wholly paid up.

Article 652

Is rehabilitated, as a matter of right, the insolvent who has paid up the sums owed by him as capital, interests and charges, interests being unclaimable beyond five years. In order to be rehabilitated as a matter of right, the partner in a company of persons fallen into insolvency is to justify that he has settled, within the same condition, his contribution to the debts of the company, even though he may have been granted a private scheme of arrangement. In the event of disappearance, absence or refusal to receive from one or several creditors, the sum due is deposited in the bank approved for the recaption of State deposits, justification of such deposit being tantamount to clearance.

Article 653

To obtain rehabilitation, in the event of acknowledged probity

1 - The insolvent who, having obtained a scheme of arrangement, shall have paid up in full the promised dividends. This provision is applicable to the partner in a company of persons lapsed into insolvency who has obtained from creditors a private scheme of arrangement.

2 - He who justifies the total remittance of his debts by his creditors or their unanimous consent to his rehabilitation.

Article 654

Every petition for rehabilitation shall be addressed to the prosecutor of the Republic at the Court which has adjudicated insolvency, with the receipts and documents justifying it. This magistrate shall communicate all the documents to the Court president who has awarded the insolvency and to the prosecutor of the Republic of the petitioner's domicile, charging them to collect all the evidence they can secure on the truth of the facts put forward. The production of receipts and other documents for the purpose of **rehabilitation shall not, by itself, render registration compulsory.**

Article 655

Notification of the petition shall be served by registered letter by the Court Clerk to every creditor to the insolvency, duly verified or acknowledged by subsequent judicial award, who has not been fully paid up.

Article 656

Any creditor who has not received his dividend in full under the scheme of arrangement or who has not wholly remitted his debts to the debtor may, within a month of the serving of this notification, move opposition to the rehabilitation, by simple deed in the Clerk's office, supported by **documentary** evidence. The opposing creditor may, by petition filed with the Court and notified to the debtor, intervene in the rehabilitation procedure.

Article 657

After expiry of the time-limit, the result of the inquiries prescribed above and the oppositions moved by the creditors shall be communicated to the prosecutor of the Republic to whom the petition has been referred, and transmitted by him, with his motivated opinion, to the Court president.

Article 658

The Court shall convene, if need be, the petitioner and his opponents and shall cross-hear them in Council chamber. The petitioner may have himself assisted by a counsel.

In case of total payment of the debts, the Court shall restrict itself to the bona fide of the justifications produced and, if they conform to the law, it shall award rehabilitation.

In the event of optional rehabilitation, the Court shall appreciate the circumstances of the cause.

The award shall be rendered in public session.

It may be appealed against, as much by the petitioner as by the prosecutor of the Republic, and by the creditors, within a month from the notification which shall have been served to them by registered letter.

The contesting creditors shall equally be advised of the award. They may exercise their right of opposition before the Court of Appeal.

The Court shall adjudicate, following examination and according to the forms prescribed above.

Article 659

If the petition is dismissed, it may not be taken up again except after the lapse of one year.

If it is received, the ruling or award shall be transcribed on the Court's register in the place of the insolvency and that of the petitioner's domicile.

It shall further be addressed to the prosecutor of the Republic who shall have received the petition and, through the letter's good offices, to the prosecutor of the Republic in the petitioner's birthplace, who shall enter it on the judiciary record in front of the adjudication of insolvency.

The said decision shall equally be entered on the trade register.

Article 660

Shall not be admitted to trade rehabilitation, fraudulent bankrupts, persons convicted of theft, swindling or breach of trust, unless they have obtained penal rehabilitation.

Article 661

The insolvent may not be rehabilitated, after his death.

TITLE VI - SPECIAL PROVISIONS FOR COMPANY INSOLVENCIES

Article 662

Resides the rules already indicated in the course of the preceding titles, companies are submitted to the following provisions.

Article 663

All trading companies, with the exception of participating companies, are likely to obtain a scheme of arrangement or be adjudicated insolvent.

A company, even in a state of liquidation, may be declared insolvent. This is possible, even if the company has been judicially annulled, whenever a de facto company still remains.

Article 664

Petition for a scheme of arrangement, as well as the declaration for the purpose of having insolvency adjudicated, must be signed by the partner or partners who are authorized to sign for the company, if the case concerns a limited joint stock company or a limited partnership, by the manager or director who discharges such duties, following a resolution by the board of directors when a joint-stock company is concerned.

When the company has gone into liquidation, it is incumbent upon the Receiver to make the declaration.

The petition or declaration must be lodged with the Clerk of the Court in whose territorial jurisdiction the company operates its head office.

Article 665

All the partners in a private company, and the financed in sleeping partnership companies, must equally, in so far as they are concerned, **make the declaration** required by the present code within the twenty days of the company's suspension of payments.

The Court shall, in a single ruling, adjudicate the company's insolvency and that of the jointly-liable partners, and shall appoint in principle a single commissioner-judge and one and same Receiver, although these different insolvencies remain distinct and that the capital stock of each of them is differently constituted.

Article 666

In all companies, the Receiver may compel the partners to complete the payment of their contributions, even before the date set by the Articles.

Article 667

In the event of a company's bankruptcy, may be sued, if need be, as penalty liable, both the jointly-liable partners and the financed, as well as the manager of joint-stock companies or the director discharging these duties.

General and Transitional Provisions

Article 668 (as modified by the Law of 30 September 1944)

Dating from the day when the provisions of the present code become executory, all the previous legislative provisions shall be divested of power in those matters which are the object of the present code.

The present code shall be enforced six months after its publication in the Official Gazette.

Beirut, 24 December 1942

Signed: Alfred Naccache

By the President of the Republic

The President of the Council of Ministers The Minister of Commerce and Industry

Signed: Sami Solh

The Minister of Justice Signed: Ahmed Hussein