

The Lebanese Joint Stock Company (*Société Anonyme Libanaise* - SAL)

The SAL is governed by the Code of Commerce and its related amendments promulgated on 29 March 2019 by law No 126 that entered into effect on 1 July 2019 and a set of rules of the Code of Contracts and Obligations. Subject to specific regulations that apply to certain activities such as banking, insurance, commercial representation, media, real estate and to SALs that carry out a service of public interest, SAL's general legal regime is as follows:

1. The minimum capital is set at LBP30,000,000 (approximately USD20,000) and is always denominated in Lebanese Pounds, although the company's bank accounts can be opened in any foreign currency without any limitation on foreign exchange. The capital is divided into negotiable shares of equal face value of LBP1,000 (approximately USD0.67) at least, and the subscribers may elect to pay upon subscription all or part of their contribution in cash, with however a minimum payment set at 25%. The Code of Commerce does not specify a time limit for the payment of the balance of the capital; it should be noted nevertheless that the capital cannot be increased unless the initial capital has been entirely paid-up.
2. Contributions to the capital can be made in cash and/or in kind and shares may only be nominal registered shares. The company's articles of association (AoA) may provide that preferential rights will be granted to certain shareholders who will receive preferred shares (as opposed to ordinary shares).
3. The SAL may carry out any lawful business without limitations, however as stated in the introductory paragraph certain activities are governed by particular laws or provisions which will apply to the SAL that carry them.
4. The minimum number of founders is three. The founders sign the AoA before the notary public either in person or by proxy.
5. The members of the Board of Directors shall within one month from the date of incorporation of the company undertake the publication procedure through the registration before the relevant commercial registrar subject to a fine from LBP /500,000/ to LBP /1,000,000/
6. The subscribing shareholders (three at least) meet as a Constituent Assembly whose purpose is to check and declare the valid constitution of the company and appoint the first BOD) and auditors.
7. The shareholder may own the bare property or usufructs right, or both. It shall be noted that the shares can have multiple owners but one individual can represent the shares held by multiple owners.
8. The shareholders do not need to be Lebanese in principle. However, laws governing certain activities specifically require that a minimum shareholding be owned by Lebanese.
9. The liability of the shareholders is limited to their contribution to the capital of the company.
10. The management of the SAL is entrusted to the BOD which is composed of three members, at least, and of twelve members, at most. The directors are elected among shareholders or non-shareholders.

With respect to a shareholder, the bare owner is the person entitled to be a board member, unless agreed otherwise among the bare owner and usufruct owner.

Notwithstanding specific laws related to certain joint stock companies, one third of the BOD's members must be of Lebanese nationality. If the Chairman is not Lebanese and non-resident, he does not need a work permit.

The AoA may provide for the possibility of dissociation between the chairmanship of the BOD and the position of General-Manager of the company. The Chairman of the BOD or the General-Manager (in the event the separation is adopted within the company) can propose to the board to appoint one Assistant General-Manager or more among the shareholders or not, provided they are natural persons - noting that an Assistant General-Manager cannot be a board member.

The AoA may stipulate that the attendance of the meetings of the BOD may take place remotely through audiovisual technologies or other technologies means to be determined by a decision of the Minister of Justice, as long as the telecommunication means are reliable. This kind of attendance is not applicable for the BOD meeting related to the study and approval of the financial statements and the reports related to the previous year, or other matters stipulated in the AoA.

It shall be noted that the content of the call shall be recorded and kept as an integral part of the meeting.

The directors are appointed for a maximum term of three years (unless they are designated in the AoA, in which case the term of their mandate can go up to five years), but may be reelected without limitation. The BOD elects its chairman who oversees the day-to-day business of the company.

11. Directors are required to set up a reserve fund by diverting 10% of the net profits after deduction of the previous accumulated losses, until such fund has reached one third of the company's capital. The AoA may further provide for additional general or specific reserves and the shareholders may as well decide to set up any such general or specific reserve.
12. The company should appoint one or many auditors for one-year term; that can be renewed for five years only. The appointment of an additional auditor designated by the court is optional unless it is requested by shareholders representing /10/% of the capital of the company.
13. The Company shall appoint a lawyer with an annual retainer fee.
14. The Ordinary General Assembly convenes annually to examine the financial statements, give a discharge to the directors for their management, decide the distribution of dividends, elect the directors upon expiration of their mandate and appoint the auditors. It shall further meet anytime necessary. In this respect, it shall be noted that the owner of usufruct right is entitled to attend and vote in the Ordinary General Assemblies.

The Extraordinary General Assembly meets for the purpose of amending the AoA. Its resolutions are adopted at the majority of two-thirds of present and represented votes. In this respect, it shall be noted that the bare property owner is entitled to attend and vote in the Extraordinary General Assemblies and is the only one entitled to exercise the preemptive right, to be elected as a director and to subscribe to the capital increase.

It shall be noted that the owner of usufruct right and the bare property owner may agree otherwise in a written agreement that has to be registered at the commercial registrar.

The AoA may stipulate that a shareholder can empower a non-shareholder to attend the meetings of the general assemblies.

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decision of the Minister of Justice, as long as the telecommunication means are reliable. It shall be noted that the content of the call shall be recorded and kept as an integral part of the meeting.

15. Generally, SALs are subject to an income tax set at 17% of the net income, and their capital gains on the transfer of fixed assets are taxed at a rate of 15%. Distributed dividends are subject to a 10% withholding tax, unless the SAL is listed in which case the applicable rate is 5%.
16. The SAL is subject to a stamp duty (4‰) on contracts and documents signed by the SAL.
17. The Value Added Tax (VAT) is set at 11%.
18. The interests generated on bank deposits are subject to a 10% tax.
19. A reduction of 10% applies to the company's foreign employees for the computation of the base of their taxes on salaries.
20. All payments made by an SAL to non-resident persons or entities are subject to a withholding tax at the rate of 2.25% for payments of goods and 7.5% for payments of services.

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