

PRIVATE LIMITED COMPANY

Definition- Art. 495

- BO whose capital is fully paid in advance, divided into shares and whose members are **not** liable for the debts
- Its share shall not be open for subscription by the public.
- It may not issue transferable securities.
- Each share may **not be less than one hundred** Ethiopian Birr;
- All shares shall be of **equal** par value.
- Its **firm-name** should indicate its business **purpose** followed by the words “Private Limited Company”.

- Nature

- Mixture of the Share Company and partnership.
- Like the share company its members enjoy limited liability.
- Like partnership it has/limited/ or small number of members.
- It shall **not have less than two person** or more than **fifty** members.
- **Members are liable only** their contributions.
- There is **no possibility** that their liability could **go to their personal asset**.

- Shall **not** have **less** than two or more than fifty members
- It is always commercial in form.
- Shall **not issue transferable securities**.
- Its capital shall **not be less than** 15,000 birr.
- **All** shares shall be of **equal value** and a member may hold more than one share.
- **Preference** shares can't be issued.
- shall **not undertake banking**, insurance or any business of a **similar** nature.
- **Service** contribution is **not valid contributions** PLC.

Reduction of the Number of Members to One Art. 498

- If members of PLC **falls below two**:-
 - It will **survive** if a person (s) join it within six months
 - if a person (s) does not join it within **six months**, it shall be dissolved or
 - It may be **converted** into a **one-person** private limited company by amending its memorandum of association

FORMATION OF PLC

- Conditions Necessary for Formation- Art. 499
 - Capital is **paid-up fully**
 - Shares sold in cash shall be **deposited** in a **blocked** Banka and
 - **MOA** is entered in the commercial register.
- For Contents of MOA of PLC see Article **500**.
- Eg- it must contain a **valuation of asset contributed in kind**

Shares of PLC:

- Confer **uniform rights**.
- Must be made in writing.
- **As a rule freely transferred**
among members
- Free transferability **may be restricted**

Transfer of Shares Art 508 & 509

- Transfer of shares among members Art. 508
 - Unless otherwise provided in the MOA, there shall be **no restriction** on the transfer of shares among members.
- Transfer of Shares Outside the Company
- **Prior** to disposing of his share to outsider
 - **Reveal** the price offered
 - Making **offer to members** for 15 days
 - Priority Rights? “**preemption** clause”.
 - **Approval** by members representing at least three-quarters of the capital

MANAGEMENT OF PLC

- A. **Board of Directors** -Article 513
- **Optional** =-MOA may provide
- Consist of **three to seven members**
- Provisions of **BOD a share company** shall apply concerning appointment, removal, liability, powers and duties

- PLC shall have a general manager appointed by a general meeting who may be a **shareholder** or an **outsider**.
- He is an employee of the company
- He shall be **liable** to the company, shareholders and third parties for any damage caused by **breach** of his duties under the law or the memorandum of association

- Only if PLC consists of ten and more members or its total assets exceed Ten Million Ethiopian Birr; it **shall have an independent** and impartial **Auditor**.

Share holders Meeting

- Ordinary General Meeting -Article 521
- Used for matters which involve **no alteration** of the PLC's statutes
- Extraordinary General Meeting - Article 526
- **Used to alter** the nationality of the PLC.
- Must be decided by consent of members representing **three-quarters** of the capital.

Grounds of Dissolution of PLC

Article 531.

- Besides grounds under Article 181 grounds for dissolution of PLC includes
- Dissolved by an appropriate court on the application of a member or a creditor if PLC does not have a required management organ
- **Loss of Three-Quarters** of the Capital unless members make additional contributions to restore the capital.-Art. 332

ONE MEMBER PRIVATE LIMITED

COMPANY Art. 534 ff

- **Definition** - Article 534.
- Business organization **incorporated by the unilateral declaration of a single person.**
- It has its own **legal personality separate and distinct** from that of the member.
- A **trader** may **convert** his enterprise from a **sole proprietorship into a one member PLC**

Prohibited Formation - Article 539.

- One member private limited company may **not establish another one person private limited company**

Management of One Person PLC

General Manager -Article 541.

- A one member private limited company shall have a general manager who may be the **member** of the company **himself** or **another person**.

Meeting of the Company -

Article 542

- One member=the general meeting of shareholders of a private limited

Dissolution without Liquidation - Article 544.

- **settling all its debts and obligations and Assignment** of all the assets **without liquidation** of assets taking place.
- The member shall be **personally liable** for all the debts and obligations of the company if **creditors appear after the dissolution** has taken effect