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”.

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.**

Peculiar natures of private limited company.

- 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

C. **Auditor**-Article 518.

- 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 external **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 t**hree-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. 532

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 of the company shall exercise powers of the general meeting of shareholders of a private limited company

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