

ARTICLES OF ASSOCIATION OF _____ [Insert Name of the Company] PRIVATE LIMITED COMPANY

Article 1
General

These Articles of Association, which forms part of the Memorandum of Association, shall govern the operations of the Company.

Article 2
Right and Duties of Shareholders

1. Every shareholder of the Company has the right to:
 - a. Take part in any meetings of shareholders;
 - b. Vote in any meetings of members equal to the number of shares held by him/her;
 - c. Inspect and take a copy of the inventory, the balance sheet and the auditors report available in the head office; and
 - d. Exercise the right stated by law, the Memorandum of Association and these Articles of Association of the Company.
2. Rights attached to shares follow these shares. Any natural or juridical person may own shares and exercise his rights according to this Articles of Association. By the same reason an owner of a share is duty bound to be governed by these Articles of Association, Memorandum of Association and decisions passed by the General Meeting.

Article 3
Share Register

1. The Company shall keep, at its head office, a register of shares which shall show:
 - a. the names and address of the shareholders;
 - b. the value of contributions made by shareholders;
 - c. the transfer of shares, and
 - d. All amendments to theses particulars.
2. The General Manager shall be responsible for keeping the share register and for submitting to the Ministry of Trade or to the appropriate Regional Bureau the annual list of the items referred in sub-article 1 of this Article.

3. The register of share and records of business shall be open for inspection by shareholders free of charge.

Article 4 **Transfer of Shares**

1. Transfer of shares outside the shareholders shall be effected upon the prior agreement of shareholders representing at least $\frac{3}{4}^{\text{th}}$ of the capital of the Company.
2. Any transfer of shares stated above shall be made in writing and shall be of no effect unless it is entered in the registry of shares. Provisions of the Commercial Code of Ethiopia regarding registration of shares shall be applicable.

Article 5 **Heirs**

1. Where one of the shareholders of the Company dies, heirs of the deceased shareholder shall substitute him/her.
2. A shareholder has a right to assign his/her share in the company to an heir he/she wishes.
3. Where the heir/s of the deceased shareholder is/are not interested to continue as a shareholder in the Company, he/she has the right to sell the shares.

Article 6 **Administration of the Company**

The administrative organs of the Company are:

- a. The General Meeting of shareholders
- b. The General Manager
- c.
- d. Other required staffs

Article 7 **Power of the General Meeting**

The General Meeting has the powers on the following issues:

- a. Deliberate on the report of the General Manager and approve the same when it is found acceptable;
- b. Hear and examine the Company's auditor annual report and take appropriate measure;
- c. Appoint or remove the General Manager of the Company;
- d. Re-elect and dismiss Auditor/s of the Company;
- e. Decide the remuneration payable to the General Manager;
- f. Give directive to the General Manager on the work performances of the Company;
- g. Decide whether to dispose of assets of the company
- h. Decide whether to take loan or other debts on behalf of the Company
- i. Pass decision on the expansion or dissolution of the Company when it finds it necessary; and
- j. Decide on the allocation of annual profits.

Article 8 **Meetings**

1. General Meeting of the Company shall be called within ____ month time after the end of each financial year. Meetings could be held in person, via teleconference or through video conferences.
2. The General Manager shall call the shareholders for the yearly General Meetings by registered letter stating the time, place and agenda of the meeting at least ____ days before the date of the meeting.
3. A General Meeting of the Company maybe called by the auditor or by shareholders representing more than one- half of the capital.

Article 9 **Quorum of a Meeting**

1. A meeting of the Company can be conducted when members representing more than 50% percent of the capital are present.
2. In such meetings the decisions are passed by a majority vote of members representing more than half of the capital.

Article 10 **Decisions passed without a Meeting**

1. Where convening of a meeting is not required by law or by these Articles of Association, the General Manager shall send to each member the text of the draft resolutions to be taken and such other supporting documents by requesting shareholders to send

their written votes thereon via email, fax or any other means showing written documentation. Acts done by the general manager, to be established by documentation, upon an email order and approval of the majority shareholder shall bind the Company.

2. Such written vote shall be delivered within ____ month from the date of receipt by the shareholders of the draft resolution.
3. For this purposes, email and fax approvals which are traceable will serve as approval of the members on decisions of the general meeting.

Article 11

Proxy

4. A shareholder may nominate a representative who shall represent him at shareholders meetings or in all matters of the Company.
5. In the absence of contrary stipulation, the representative shall exercise the rights and duties of the shareholder that he represents.
6. The power of Attorney shall be made in writing, signed before a duly authorized notary office.

Article 12

Conduct of the Meeting

1. The shareholders shall elect the first general manager in a general meeting resolution.
2. The General Manager can appoint a secretary who shall attend all meetings and keep all the minutes and recordings.

Article 13

Appointment of the General Manager

1. Mr./Mrs. ____ is appointed to be the first General Manager of the Company by the shareholders.
2. The shareholders of the Company may replace the General Manager at any time in accordance with the relevant laws.

Article 14

Powers of the General Manager

In connection with the business purpose of the Company, the General Manager is empowered to execute the following duties in accordance with the Memorandum of Association, these Articles of Association and the decisions of the General Meeting of the Company.

- a. Represent the Company to sign its affairs, collect documentation and perform other acts of management;
- b. Be the chief executive of the technical and administrative affairs of the Company;
- c. Implement the decisions of the general meeting of the Company, if any;
- d. Receive money payable to the Company, pay debts of the Company, prepare, sign at the back, renew and effect payment of promissory notes and bank documents as well as approve and sign at the back of shipment receipts, bond certificates or other documents of the Company ;
- e. Employ and dismiss workers and agents of the Company, determine their salaries, bonus and other conditions attached to employment and termination with the exception of top level managerial posts and following the paper or email advice of the general meeting;
- f. Open bank accounts in the name of the Company and credit its payments as well as sign its financial statements;
- g. Determine purchase and sales and approve their orders, which are necessary for the running of the Company;
- h. Conclude contracts of business transactions in relation to the day to day affairs of the Company with third parties;
- i. Take necessary actions on behalf of the Company regarding suits in which the Company is a plaintiff, a defendant or an intervening third party in any court of law by taking the email or other written advice of the general meeting;
- j. Take or cause to be taken appropriate measures for the efficient keeping of out flow and in flow of accounts of the Company to be submitted and approved by its members;

- k. May delegate, the duties assigned to him hereinabove, any other person in the name of the Company.

Article 15
Liability of the General Manager

The General Manager shall be liable to the Company and to third parties for any breach of his duties.

Article 16
Auditor

1. The Auditor of the Company shall be appointed for a term of _____ years and may be reappointed for another year term.
2. The Auditor may be dismissed for any good cause.
3. The Auditor shall be liable to the Company and to third parties for any fault committed in the exercise of his duties.

Article 17
Financial year

The financial year of the Company starts at July 8 (Hamle 1) and ends at July 7 (Sene 30).

Article 18
Accounts of the Company

1. The General Manager shall prepare the balance sheet at the end of each financial year and hand over the same to the auditors and members of the Company for examination and approval.
2. Documents disclosing the yearly state of the Company, balance of the account, the condition of profits and Losses, inventory of its assets and report of the General Manager or the auditors shall be sent regularly to each member of the Company.

Article 19
Net Profits of the Company

The net profits of the Company shall comprise the net receipts for the financial year less any payments for general costs and other charges including payments for contractual obligations, amortization and allowance.

Article 20
Legal Reserve of the Company

Five percent (5%) of the net profit shall be transferred to the reserve fund every year until it amounts 20% of the capital as laid down in the Commercial Code of Ethiopia.

Article 21
Distribution of Profits

The profit of the Company shall be divided among the shareholders in proportion to their share in the Company.

Article 22
Applicable Law

For matters not contained in these Articles of Association and Memorandum of Association, the relevant provisions of the Commercial Code of Ethiopia shall apply.

Article 23
Amendment

The shareholders of the Company may amend the provisions of these Articles of Association or the Memorandum of Association at any time in accordance with the relevant provisions of the Commercial Code.

Article 24
Dispute Resolution

1. Any dispute which may arise between partners/share holders shall, if possible, be settled amicably.
2. If any such dispute cannot be settled amicably within one month following initiation of formal negotiation, either party

may refer the matter to the competent Federal court in Addis Ababa for resolution. [If the dispute is referred to be solved by Arbitration, insert the following sub clause]

2. If any such dispute cannot be settled amicably within two months following the date on which the dispute has been raised by the partner through written notification to the other partner, it shall at the request of either parties, be submitted to an arbitration tribunal for resolution, without prejudice to the parties right to submit a dispute to a competent federal court of Ethiopia, to one of the following fora:
 - a. A competent arbitration institute registered in Ethiopia (like the Addis Ababa Chamber of Commerce and Sectoral Associations Arbitration Institute, Ethiopian Conciliation and Arbitration Center); and
 - b. An ad-hoc tribunal of arbitration to be set up by the consent of the disputing parties.
3. Any arbitral award rendered pursuant to this Article shall be binding on the parties to the dispute.
4. If the parties to the dispute choose to submit their case to an ad-hoc tribunal as provided for in sub-article (2)(b) of this Article, the tribunal shall be set up as follows:
 - a. The arbitration tribunal shall be set up from case to case, each party appointing one member. These two members shall then agree upon a neutral member as their chairperson, to be appointed by the parties to the dispute. The members shall be appointed within one month, and the chairperson within two months, from the date either party to the dispute, has advised the other party of its wish to submit the dispute to an arbitration tribunal.
 - b. If within the periods specified in sub-article (4) (a) of this Article the necessary appointments have not been made, either party may, in the absence of any other agreement, involve the head of one of the arbitration institute

registered in Ethiopia (like the Director of the Addis Ababa Chamber of Commerce and Sectoral Associations Arbitration Institute, Ethiopian Conciliation and Arbitration Center) to make the necessary appointments.

- c. Unless the parties to the dispute decide otherwise, the Arbitral Tribunal shall lay down its own procedure.
- d. The arbitration tribunal shall reach its decision by a majority of votes, the decision being binding on the parties. Each party shall bear the cost of the member appointed by the party as well as the costs for its representation in the arbitration proceedings; the cost of the chairperson as well as any other costs shall be born (in equal parts by the two parties) or (by the party in whose disfavor the award is made).
- e. The arbitration shall be based on the provisions of the Memorandum and Articles of Associations of the company in which the parties are member and the relevant laws of Ethiopia.

Article 25 **Dissolution**

The Company can be dissolved on reasonable grounds, by a decision of a court according to Article 217, 218, 511, 542 and 543 of the Commercial Code of Ethiopia.

ARTICLE 26 **APPLICABLE LAW**

For matters not covered in this Articles of Association, the relevant provisions of the Commercial Code shall apply.

IN WITNESS THEREOF, we, members of the Company have affixed our signature hereto and have caused these Articles of Association to be authenticated on the ____ day of ____ 20__, at _____.

Name of Shareholders

Signature

1. _____

2. _____
