



# SHAREHOLDERS AGREEMENT

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**SHAREHOLDERS AGREEMENT**

THIS AGREEMENT IS MADE AND ENTERED INTO FORCE ON \_\_\_\_\_, BY AND BETWEEN:

*{in case the investor is a legal entity- please use the following}*

\_\_\_\_\_ **Investor** \_\_\_\_\_,  
\_\_\_\_\_ duly established in accordance with the laws of \_\_\_\_\_, and registered at  
\_\_\_\_\_ - registration number \_\_\_\_\_, with its offices at  
\_\_\_\_\_, duly represented in signing this Agreement by \_\_\_\_\_ in his/her  
capacity as \_\_\_\_\_ ("Investor");

Or

*{in case the investor is a natural person- please use the following}*

\_\_\_\_\_ **Investor** \_\_\_\_\_  
Residents of \_\_\_\_\_, bearers of Palestinian identification card numbers  
\_\_\_\_\_ and \_\_\_\_\_, respectively.

And

\_\_\_\_\_ **"Founder name"** \_\_\_\_\_  
Resident of \_\_\_\_\_, bearers of Palestinian identification card numbers  
\_\_\_\_\_ and \_\_\_\_\_

\_\_\_\_\_ **"Founder name"** \_\_\_\_\_

Impact Investing  
Social Business  
Storytelling,

**Commented [RF1]:** Please use either option based on the nature of the investor (legal entity or natural person)

Residents of \_\_\_\_\_, bearers of Palestinian identification card numbers \_\_\_\_\_ and \_\_\_\_\_, respectively

(each a "Founder" and together the "Founders");

And

\_\_\_\_\_ "Company" \_\_\_\_\_

\_\_\_\_\_ duly established in accordance with the laws of Palestine and registered at the PNA Companies Comptroller – registration number (\_\_\_\_\_) with its offices in \_\_\_\_\_, duly represented for the purposes of signing this Agreement by \_\_\_\_\_ in his/her capacity as \_\_\_\_\_

("Company")

The Investors, the Founders and the Company shall collectively be referred to in this Agreement as "the Parties")

#### **PREAMBLE**

WHEREAS the Founders are the sole existing partners of the Company;

AND WHEREAS the Company capital currently consists of (\_\_\_\_\_) shares, each share at par value of **one USD** dollars ("Original Capital"), all of which are wholly owned by the Founders;

AND WHEREAS, the Investor and the Founders have resolved to enter into a binding legal relationship, whereby the Investor invests up to (\$\_\_\_\_\_) \_\_\_\_\_ ("Investment Amount") in the Company subject to the terms and conditions of this Agreement;

*{in case the transaction is based on increasing the registered capital-please use the following}*

AND WHEREAS the Company intends to increase the Company's registered capital from (\_\_\_\_\_) to (\_\_\_\_\_) ("Additional Shares") subject to the terms and conditions of this Agreement, and through which the Investor would like to subscribe in (\_\_\_\_\_) shares of the total shares of the

Company constituting a percentage of (\_\_)% of the total shares of the Company subject to the terms and conditions of this Agreement.

OR

*{in case the transaction is based on sale-purchase and transfer of shares- please use the following}*

AND WHEREAS the Founders intend to sell (\_\_\_\_\_) shares of the total shares of the Company constituting a percentage of (\_\_)% of the total shares of the Company subject to the terms and conditions of this Agreement.

*{then continue}*

NOW, therefore, the Parties, intending to be legally bound, hereby agree as follows:

**1. PREAMBLE**

The preamble to this Agreement shall be considered an integral part thereof.

**2. PURPOSE OF THE AGREEMENT**

This agreement outlines the principal terms of the investment between the Parties for the purpose of \_\_\_\_\_ according to the deal structure set out in article (3).

**3. DEAL STRUCTURE**

Subject to the terms and conditions of this agreement, the Investor agrees to inject the Investment Amount in the Company subject to the following terms and conditions.

*{In case of increasing the capital-please use the following terms. In case of sale-purchase transaction please remove this section, and use the section below}*

- 1) The Founders will initiate the official process for raising the capital of the Company. The capital increase process will entail issuing the Additional Shares in so that the new number of shares of the Company will become (\_\_\_\_\_) shares, each share at par value of (\$USD1) One United States Dollar, totaling (\_\_\_\_\_) ("Capital Increase Process"). The Capital Increase Process shall include, *inter alia*, obtaining the required general assembly and/or board of directors' resolution and any other necessary documents, filing

**Commented [RF2]:** Please remove one of these options based on the transaction

**Commented [RF3]:** You may mention here more details on the purpose of the investment

by the Founder with the Companies Comptroller and other relevant authorities in Palestine of and any necessary procedures to duly complete the Capital Increase Process, and payment by the Founders of the necessary fees to complete the Capital Increase Process. The Founders shall solely pay the fees and expenses associated with the Capital Increase Process in full. The date of completion of the Capital Increase Process shall be \_\_\_\_\_.

- 2) Subject to the conditions precedent detailed in article (4) of this Agreement being met, and as soon as the Capital Increase Process is completed, the Founders shall unconditionally and irrevocably sell, assign, transfer and convey to the Investor a number of shares equal to ( ) of the Total Shares; and the Investor shall accordingly become a new shareholder in the Company holding (\_\_)% of the Total Shares therein, each at par value of \$USD1 (One United States Dollar). Accordingly, upon consummation of this Agreement, the Investor will have owned \_\_\_\_\_ (\_\_\_\_\_) shares out of \_\_\_\_\_ (\_\_\_\_\_) shares (representing (\_\_)% of the Total Shares of the Company and the Founders in the Company will own \_\_\_\_\_ (\_\_\_\_\_) shares therein, distributed amongst them as follows: {\_\_name of Founder\_\_\_\_} will hold \_\_\_\_\_ shares (representing (\_\_)% of the capital of \_\_company\_\_); and {\_\_name of Founder\_\_\_\_} will hold \_\_\_\_\_ shares (representing (\_\_)% of the capital of \_\_company\_\_). The par value of each share will be \$1 (One United States Dollar). The date of completion of the assignment of the additional shares to the Investor shall be \_\_\_\_\_ ("Assignment Date").
- 3) As a sole and exclusive consideration for the Additional Shares to be assigned in accordance with this Agreement by the Founders to the Investor and in full payment thereof, and in order to fund the capital increase of the Company, the Investor shall inject the Investment Amount (\_\_\_\_\_) \_\_\_\_\_ into the company, as follows:
- First payment: an amount of (\_\_\_\_\_) on/upon \_\_\_\_\_;
  - Second payment: an amount of (\_\_\_\_\_) on/upon \_\_\_\_\_.

For the avoidance of any doubt, the Investors shall not be obligated to make any payment unless all conditions stated herein are met.

*{Please use the below in case of sale-purchase transaction}*

**Commented [RF4]:** Please determine here the amount of each payment, and the conditions of the payment. You may relate them to the conditions precedents or specific targets ...etc.

- 1) The Founders shall assign, transfer, convey and deliver to the Investor, and Investor hereby purchases, acquires and accepts from the Founders free and clear of encumbrances, all of the Founders' right, title and interest in \_\_\_\_\_ shares of the Total Shares of the Company (the "Purchased Shares") at the Closing Date. Additionally, the Founders shall irrevocably waive any restrictions on transfer to the extent possible (including any of its rights of pre-emption) which may exist in relation to the Purchased Shares.
- 2) Therefore, upon consummation of this Agreement, the Investor will have owned \_\_\_\_\_ (\_\_\_\_\_) shares out of \_\_\_\_\_ (\_\_\_\_\_) shares (representing (\_\_\_\_%) of the Total Shares of the Company and the Founders in the Company will own \_\_\_\_\_ (\_\_\_\_\_) shares therein, distributed amongst them as follows: {\_\_name of Founder\_\_\_\_} will hold \_\_\_\_\_ shares (representing (\_\_\_\_%) of the capital of \_\_company\_\_); and {\_\_name of Founder\_\_\_\_} will hold \_\_\_\_\_ shares (representing (\_\_\_\_%) of the capital of \_\_company\_\_). The par value of each share will be **\$1 (One United States Dollar)**. The date of completion of the assignment of the Purchased Shares to the Investor shall be \_\_\_\_\_ ("Assignment Date").
- 3) As a sole and exclusive consideration for the Purchased Shares to be transferred to the Investor in accordance with this Agreement, the Investor shall inject the Investment Amount into the company, as follows:
  - First payment: an amount of (\_\_\_\_\_) on/upon \_\_\_\_\_;
  - Second payment: an amount of (\_\_\_\_\_) on/upon \_\_\_\_\_.

For the avoidance of any doubt, the Investors shall not be obligated to make any payment unless all conditions stated herein are met.

*{Then to continue the following}*

**4. CONDITIONS PRECEDENTS**

- a) Conditions precedent to implementing this Agreement which shall include, among other things:
  1. The Founders shall deliver all required financial, legal, and other documents requested by the Investor.
  2. Completion of technical, financial, and legal due diligence to the satisfaction of the Investor.

**Commented [RF5]:** Please determine here the amount of each payment, and the conditions of the payment. You may relate them to the conditions precedents or specific targets ...etc.

**Commented [RF6]:** These conditions depend on you. Whether you need to keep them, change them, or add to them

3. Approval of the Investor's Board of Directors on the investment and satisfaction of any conditions imposed by them.

**Commented [RF7]:** If the investor is a legal entity

4. Completion and execution of legally binding shareholders agreement.

b) Conditions Precedent to the Injection of the Investment Amount, which shall include:

1. Changing the registration certificate, Articles of Association and Memorandum of Incorporation to reflect the agreed terms.

**Commented [RF8]:** You may also include the exact changes required

2. The Founders shall submit to the Investor a detailed expansion and business plan which shall be subject to the Investor's approval.

#### 5. BOARD OF DIRECTORS & MANAGEMENT OF THE COMPANY

**Commented [RF9]:** If you want we may also include articles on the General Assembly (GA) or we just keep them open as the applicable law?

a) The Board of Directors of the Company ("the Board") shall consist of ( ) directors. The Investor shall have the right to designate ( ) directors, and the remaining will be designated by the Founders.

b) The Chairman of the Board shall be one of the \_\_\_\_\_ representatives in the Board for the first four years. Then, the chairman shall be elected by the Board.

c) The Board meetings shall be scheduled on a monthly basis; until such time the Investor agrees to schedule them less frequently.

d) The Board composition of any subsidiary/s (if any) shall reflect the above composition of the Company.

e) The Board resolutions shall be taken by majority except for the matters which require the Investor Approval as stated in article (6) below.

f) The chief executive officer (CEO), chief financial officer (CFO) and chief operating officer (COO) of the Company shall be appointed by the Board with at least one representative of the Investor voting in favor of the appointment.

#### 6. MATTERS REQUIRING THE INVESTOR'S CONSENT

**Commented [RF10]:** You may decide to keep all of them, or reduce them.

Despite any majority stated otherwise, the following matters require the Investor's prior approval in the Board/General Assembly:

a) Establishing any branches or subsidiaries to the Company.

b) Any loans given by the Company to any of the managers and directors or any of the shareholders.

c) Distributions of cash or stock dividends.

- d) Making any material amendments to any existing agreements.
- e) Borrowing any money or otherwise providing any guarantee, indemnity or other contingent commitment or granting any security over assets and the creation of any fixed or floating charges, lien or other encumbrance or interest over the whole or any part of the undertaking, property or assets of the Company or sell, assign, pledge or encumber material company property, or enter into any corporate strategic relationship.
- f) Approve, or make any change to, any business plan or budget.
- g) Undertaking any transaction or arrangement in which the Company acquires rights or liability not identified in the Business Plan;
- h) Any transaction involving sale/assignment/disposal of any assets/contracts.
- i) Enter into any abnormal or unusual contract or commitment, including any which is outside the ordinary course of business.
- j) Enter into any contract transaction or series of transactions (that includes financial obligation on the Company) the aggregate values of which exceeds \$\_\_\_\_\_.
- k) The appointment, removal or change in management composition, including but not limited to, hiring, firing or materially reviewing the compensation of any employee of the Company, including the CEO, COO, and the CFO.
- l) Enter into, amend or terminate any transaction with a related party of the Company or any Shareholder or officer.
- m) The establishment or change of Company's signatory matrix regarding all administrative, legal and financial matters, in relation to the Company.
- g) Establish or amend any of the Company's bank mandates/limits, including, without limitation, any changes to any of the signatories. In all cases, the authorized signatory on behalf of the company in all financial matters, including bank and cash transactions, shall be as follows: one of the Founders and a representative of the Investor jointly.
- n) Approving of the annual accounts and appointing or changing the Company's internal and external auditors.
- o) Acquire (whether by purchase, subscription or otherwise) any business or share capital of any entity or enter into any partnership or joint venture arrangement.

- p) Granting any power of attorney other than for normal commercial purposes in the ordinary course of business.

**7. WAIVER RELATED TO PAST LIABILITIES**

- a) Notwithstanding any provision to the contrary in this Agreement or elsewhere, the Investor is not, directly or indirectly, assuming, and shall not in any way be or become responsible for, any liabilities of the Founders and/or of the Company and/or of the business of the Company which arise, directly or indirectly, out of: (i) the Company's status as a partnership; and/or (ii) events occurring prior to the Assignment Date (including, without limitation, any obligation to disgorge, in whole or in part, or otherwise reimburse, or pay to, the Company or any other person any distributions received by or for the account of the Founders from the Company whether or not such liabilities are known or unknown as of the Assignment Date; (iii) the inaccuracy of any representation or breach of any covenant, warranty or agreement made by the Founders in this Agreement or elsewhere; and (iv) any tax liabilities of the Founders, including liability for taxes attributable to income or losses allocated to the Founders, or distributions paid or received by either Founders, or in respect of the Interest, prior to the Assignment Date.
- b) Furthermore, and notwithstanding any language to the contrary in this Agreement or elsewhere, the Investor is not, directly or indirectly, assuming, and shall not in any way be or become responsible for, any liabilities of the Company which arise, directly or indirectly, out of events occurring prior to the Closing Date, if such liabilities were not explicitly disclosed in Annex (\_\_\_).

**Commented [RF11]:** To attach a list of liabilities of the Company

**8. REPORTING COVENANTS**

The Company would furnish the following to the Parties.

- a) Monthly Reports. Within 15 days following the end of each month, an income statement, cash flow and statement of financial position for the prior monthly period.
- b) Annual Audited Financial Statements. Within 45 days following the end of the fiscal year, an audit opinion, together with a copy of the auditor's letter to management.
- c) Audit. In the event the Company fails to provide monthly reports and/or financial statements in accordance with the foregoing for unsatisfactory reasons for the Parties, the Party would have the authority, at the Company's expense, to request an audit by an accounting firm of the that Party choice, such that statements are produced to the satisfaction of that Party.
- d) Annual Budget. At least 30 days before the end of each fiscal year, a budget, including projected income statement, cash flow and statement of financial position, on a

monthly basis for the ensuing fiscal year, together with underlying assumptions and a brief qualitative description of the Company's plan by the Directors in support of that budget.

#### **9. ACCESS**

The Founders and the Investor shall have, at reasonable times and upon reasonable notice, full access to all books and records of the Company, shall be entitled to review and copy them at their discretion, and shall be entitled to inspect the properties of the Company and consult with management of the Company, all subject to standard confidentiality undertakings.

#### **10. AFFILIATE/SUBSIDIARY COMPANIES**

The Parties have the right to sell all/part of its shares to any of its affiliates/subsidiaries without the need for the consent of the other Parties.

#### **11. RIGHT OF FIRST REFUSAL & ANTI-DILUTION**

- a) The Parties agree that if any Party intend to dispose or sell its shares in the Company, the selling Party shall provide notice in writing to the other Party. The notified Party then shall have the first right to purchase or refuse the shares. The notified Party shall respond in a 30-day period from the date it received the written notice. For the avoidance of any doubt, the notified Party shall have the right, but not the obligation, to purchase the selling Founder/s's shares in pro rata to its percentage ownership in the Company.
- b) After full consummation of this Agreement, should the Parties agree on increasing the capital of the Company through the issuance of new shares (other than the shares, subject of this Agreement), the Parties shall have the right to purchase the said new shares on pro rata basis.

#### **12. LOCK-UP PERIOD**

Each of the Founders agrees and acknowledges that it may not sell, transfer or otherwise dispose of any of its shares so long as the Investor is a shareholder in the Company, unless the sale is part of an approved IPO or other exit transaction approved by the Investor where the Investor has the right to sell on identical terms and in priority to any other party.

#### **13. EXIST PLAN & TAG ALONG RIGHT**

- a) Should the Investor decide to sell its shares in the Company after (\_\_\_) years of the Closing Date, the Founders commit to purchase the Investor's shares at the par value or

It is up to the parties to keep the :Commented [RF12]  
lock-up period, tag along rights

the market value, which is higher at that time. For the avoidance of any doubt, the Investor has the right, not the obligation, to sell to the Founders but the latter have the obligation to purchase the Investor's shares in the Company (in case the Investor decides to sell).

- b) Notwithstanding article (a) above, should the Founders decide to sell their shares to a third party, the Investor shall have the right to participate in that sale and sell its shares to the same third party on the same terms and conditions (the right to sell, not the obligation).

#### **14. CONFIDENTIALITY**

Each of the Parties undertakes that such Party and its respective employees and Board nominees shall at all times protect the confidentiality of information considered confidential, classified, restricted or secret to which they may have had, or may have, access during the course of implementation of the Project. Nothing contained in this Article 14, however, shall apply to information which:

- (a) At the time of its disclosure is in the public domain as evidenced by printed publications or otherwise;
- (b) After its disclosure becomes part of the public domain by publication or otherwise through no fault of any Party or its respective nominees/employees;
- (c) Can be shown by conclusive written evidence as being already in a Party's possession at the time of its disclosure;
- (d) Is required to be produced before any governmental authority or any court or judicial authority of competent jurisdiction or any enquiry commission
- (e) Is obtained by a Party from a third party who is lawfully in possession of such information and is not subject to any contractual or fiduciary relationship which would preclude its disclosure.

All such confidential information shall be and shall remain the exclusive property of the Parties in the event of dissolution of the Company.

This Article shall survive ten (10) years after termination of this Agreement.

#### **15. CONFLICT OF INTEREST & NON-COMPETE**

- a) Any transaction defined as a conflict or could be viewed as a conflict between the Company and Founders, subsidiaries, affiliates, or any company in which the

Founders have a direct or indirect ownership, must be approved by the Investor before execution.

- b) The Founders undertake that they shall not, directly or indirectly, provide any technical, commercial or professional advice to, or in any way assist any business which is or is about to be engaged in activities or a business that is similar to, or competes with, the Company so long as the Investor is a shareholder in the Company.

#### **16. INTELLECTUAL PROPERTY**

- a) Intellectual property means all or any inventions, know-how, patents, trademarks, copyrights or other intellectual property rights registered or unregistered of the Company, now or in the future.
- b) All intellectual property for any materials, products, methods, works, software or otherwise developed in whole or in part by the Company's executives, directors, employees and consultants in connection with their duties and responsibilities with or for the Company, shall belong entirely to the Company and the Founders and the Investor shall cooperate fully to protect its ownership and title thereto, at Company's sole expense and cost.

#### **17. TERM AND TERMINATION**

- a) The term of this Agreement shall commence on the Closing Date, and shall remain valid and binding until the consummation of all of the Parties' obligations.
- b) Termination of this Agreement for whatever reason shall not affect or prejudice any right or damages or other remedy, which any of the Parties may have in respect of any breach of this Agreement that existed at or before the effective date of termination.
- c) Termination of this Agreement shall not prejudice the rights of either party, who may have undertaken part or all of its obligations in accordance with this Agreement, without the other party undertaking its corresponding obligations in accordance with this Agreement. In such case, this Agreement shall terminate and be fully unwound, without such termination giving rise to any right or claim by any party hereto, neither party shall be under further obligation or restriction pursuant to this Agreement. All acts undertaken by each party shall be reversed, and each party shall return to its status prior to the consummation of this Agreement.
- d) Notwithstanding the above, either party may terminate this Agreement with immediate effect in the event of the other party committing a material breach of any of the terms contained herein and such breach is not remedied within **(10)** days of receiving a notice of such breach from the other party.

#### **18. WAIVER OF RIGHTS**

- a) No waiver by a party or a failure by any other party to perform any provision of this Agreement operates or is to be construed as a waiver in respect of any other failure whether of a like or different character.
- b) Failure by any party to enforce, at any time, any provision of this Agreement shall not be construed as a waiver of its right to enforce such provision or any other provision in this Agreement or as a waiver of any continuing, succeeding or subsequent breach of any provision or other provision of this Agreement.

#### **19. AMENDMENTS**

Any variation of this Agreement (or of any of the documents referred to in it) shall be valid and effective and binding upon all Parties hereto (including any that have not explicitly agreed to it) if it is in writing and it is approved by all the Parties.

#### **20. INVALIDITY**

If any provision of this Agreement is held to be invalid or unenforceable, then so far as it is invalid or unenforceable it has no effect and is deemed not to be included in this Agreement. This shall not invalidate any of the remaining provisions of this Agreement. The Parties shall use all reasonable endeavours to replace any invalid or unenforceable provision by a valid provision the effect of which is as close as possible to the intended effect of the invalid or unenforceable provision.

#### **21. COSTS**

Each of the parties shall pay its own costs, charges and expenses (including taxation) incurred in connection with negotiating, preparing and implementing this Agreement and the transactions contemplated by it.

#### **22. GOVERNING LAW & JURISDICTION**

- a) This Agreement shall be governed exclusively by and be construed according to the laws of the **West Bank – Palestine**, without regard to the conflict of law provisions thereof.
- b)

*{For Arbitration please use this}*

All disputes arising out of or in connection with the Agreement shall be finally settled through arbitration by three arbitrators; each party (the Founders and investor) to appoint one

arbitrator; and both arbitrators to appoint the third arbitrator. The seat of arbitration shall be the city of Ramallah in Palestine. The language of the arbitration shall be in Arabic/English.

*{For litigation please use this}*

The courts of Ramallah shall be the exclusive competent courts to settle any dispute arising out of or in connection with the Agreement.

**23. ENTIRE AGREEMENT**

This Agreement and the documents and agreements referred to in it set out the entire agreement and understanding between the parties with respect to the subject matter of it.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and delivered on the day and year first above written.

**On behalf of the Investor**

\_\_\_{name}\_\_\_

Signature: \_\_\_\_\_

**The Founders**

\_\_\_{name of Founder}\_\_\_

Signature: \_\_\_\_\_

\_\_\_{name of Founder}\_\_\_

Signature: \_\_\_\_\_

