



RECOMMENDED STRUCTURE FOR THE DIASPORA ANGEL INVESTMENT IN STARTUPS IN PALESTINE

Summary Document of the Proposed/Recommended Structure for the Diaspora Angel Investments in Startups in Palestine

Recommending a specific structure for a company requires studying the investment/project on a case by case basis. Yet, taking into consideration the fact that the investors would like to invest in startups, it is recommended to invest in or establish a limited private shareholding company.¹ General terms will be explained below according to the Companies Law no. (12) of 1964 (“Companies Law/Law”) since its terms are mostly mandatory.

Capital

The minimum registered capital is 10,000 JOD. Capital shall be paid by the partners within 4 years. For this, audited financial statements shall be provided to the Ministry of Economy.

Deciding on the capital depends on the needed investment amount and facilities, and therefore may be decided on a case by case basis.

On a related point, the Palestine Chamber of Commerce offers different membership levels based on the company’s capital, and accordingly the services offered by the Chamber depend on the company’s capital. More prestigious services are provided for companies with higher capital. For example, companies with a registered capital which exceeds a million JOD are granted special level membership, companies with a capital from 5,000 JOD to 40,000 JOD are granted third level membership.

Number of Partners in a Company

The number of partners in a company shall be no less than 2 partners and no more than 50 partners. If the partners become less than 2, the company will be liquidated by law. In case partners are more than 50, some practical solutions may be found such as incorporating another company.

¹ For further information about the types of companies, please refer to the summary document on the Legal Environment and Terms for Angel Investments in Startups in Palestine.

Board of Directors (BOD)

1- Number of BOD

If the partners are 20 partners or less, the company may be managed in the way agreed upon the partners. Meaning that, no need for a BOD unless the partners agree otherwise. In case the partners are more than 20, the company shall be managed by a BOD (2-5 members). The Memorandum of Incorporation (MoI) of the company shall determine the conditions of the BOD nomination.

2- BOD Resolutions

According to the law, the BOD resolutions shall be adopted by the majority of the BOD members present at the meeting (50%+1). In the event of a tie the chairman shall have a casting vote. However, partners may agree in the company's Articles of Association (AoA) and MoI to increase the quorum of a resolution such as requiring the consent of all the members in specific matters.

Voting in the BOD meetings may not occur through proxy or correspondence.

3- Authorized Signatories

Authorized signatories in financial, legal, judicial matters shall be agreed upon shareholders, and an authority matrix may be prepared for that.

General Assembly (GA)

The GA consists of all the partners in the company. GA may hold ordinary and extraordinary meetings. Ordinary meetings are usually held to discuss the following: a) the BOD report; b) the financial auditors report; c) discussing and approving the financials and the budget of the company; d) decide on the borrowing and mortgage suggestions and provide guarantees pursuant to its MoI. Decisions in the ordinary meetings are adopted by 51% of the total shares represented in a meeting, unless the company's AoA or MoI stipulates otherwise.

In GA extraordinary meetings, decisions are adopted by two-thirds of the total shares represented in a meeting, unless the company's MoI stipulates otherwise. This is except for the following matters which need the consent of 75% of the total shares represented in a meeting which are: a) amending the AoA or MoI; b) merger and acquisition transactions; c) discharging the chairman or any member of the BOD; d) moving the headquarter of the company abroad.

Notwithstanding the aforementioned, the partners may agree on increasing the quorum required for a meeting and/or resolution.

A partner/shareholder may grant proxy to others to attend a GA meeting provided that the agent is not authorized in more than 5% of the paid capital.

Liquidation

In optional liquidation a company may be liquidated in the following situations: a) end of its period if it was established for a limited period; b) fulfilling the purpose which it was established for or the impossibility to fulfil it; c) the occurrence of an action which necessitate the liquidation of the company as stipulated in the MoI; d) a resolution by the GA.

Moreover, a company may be liquidated compulsorily through the court in case the GA decides to liquidate the company, if the company has committed serious breaches, if it did not have any operations within a year of its registration or its activities have been suspended, if it has not been able to repay its debts/liabilities, or if the number of its partners become less than the minimum number required.

