|  |
| --- |
| Business Law |
| A Comparison Between Lebanese and American Companies |
|  |
|  |
| **Rayan Harb** |
| **5/8/2013** |

|  |
| --- |
|  |



* **General Partnership:**

|  |  |  |
| --- | --- | --- |
|  | **American** | **Lebanese** |
| **Formation:** | Articles of Partnership.  Partnership by implication and partnership by estoppel are two other ways for the partnership to be formed, even if the parties do not intend to form the partnership and do not call themselves partners. | Articles of Association. A General Partnership is formed by two or more partners. \*Articles of Association must be registered in the Commercial Register within 30 days of formation. |
| **Funding:** | Capital contributions of partner in the form of property, cash, or services | Capital contributions in the form of cash, in-kind contributions, or their commercial reputations. |
| **Management:** | All partners play an active role in the management of the partnership’s affairs. Yet partners could delegate management to one or more partners. Most managerial decisions are a matter of voting and some require the unanimous consent of partners | All partners are active, and acquire the status of merchants. |
| **Transfer Control:** | Partners could transfer partnership interest. However, the transferee does not become a partner without the unanimous consent of the other partners. | N/A |
| **Taxes:** | Flow-Through taxes: Does not pay entity-level taxes | Flow- through taxes: Does not pay entity-Level taxes |
| **Dissolution:** | Upon death, withdrawal of one of the partners, duration specified in the articles of partnership. | Bankruptcy, withdrawal of partner, upon death, upon conclusion of its specified term, fulfillment of its business purpose, or disagreement among the partners. |
| **Liability:** | Unlimited liability | Unlimited liability for the partnership’s obligations |

**\* The name of the GP will include the partners’ names, or at least one of the partners’ names and “& Co.”**

* **Limited Partnership:**

|  |  |  |
| --- | --- | --- |
|  | **American** | **Lebanese** |
| **Formation:** | Filing of Articles of limited Partnership | Articles of Association |
| **Funding:** | Capital contributions of general and limited partners | Contributions of general and limited partners |
| **Management:** | General Partner are responsible of managing the affairs of the limited partnership | General partners are responsible for managing the affairs of the limited partnership and acquire the status of a merchant by the virtue of being partners |
| **Transfer Control:** | Transfer of interest is possible. However, the transfer of interest of a limited partner does not make the transferee a limited partner. Unanimous consent is required. | N/A |
| **Taxes:** | Flow through taxes: does not pay entity-level taxes | Flow through taxes: Does not pay entity-level taxes |
| **Dissolution:** | Death of the general partner. The general partner leaves. Duration as specified in the articles of limited partnership. Fulfillment of business purpose. Disagreement among the partners. | Bankruptcy, withdrawal of partner, upon death of one of the partners, upon conclusion of its specified term, fulfillment of its business purpose, or disagreement among the partners. |
| **Liability:** | General Partner has unlimited liability for the obligations of the limited partnership. Limited partners are liable to extent of their capital contributions. | General Partner suffers from unlimited liability for the obligations of the limited partnership. Limited or silent partners are liable to the extent of their capital contributions. |

* **Limited Liability Company**

|  |  |  |
| --- | --- | --- |
|  | **American** | **Lebanese** |
| **Formation:** | Articles of incorporation | Articles of Incorporation |
| **Funding:** | Capital contribution of the members | Capital divided into equal shares, with a minimum capital of 5,000,000 LL. , either cash or in-kind contributions. Unlike the general partnership, commercial reputation cannot be used to acquire shares in a limited liability company. |
| **Management:** | All members manage or delegate to one member or a few members. | Managers designated in the articles. The managers may or may not be partners themselves |
| **Transfer Control:** | No admission without consent of majority | Not freely transferable, transfer requires approval of shareholders holding 75% of the company’s shares in an extraordinary meeting. |
| **Taxes:** | Flow-through taxes: does not pay entity –level taxes on its profits | A Limited Liability Company does pay corporate level income tax under Lebanese Law. |
| **Dissolution:** | Dissolved upon death of one of its members or bankruptcy | If the numbers of partners exceed 30. One of the partners leaves. Bankruptcy. s |
| **Liability:** | No personal liability: limited liability for all the members. | SARL provides Limited liability for all its partners. |

**\* Also called (S.A.R.L)**

**\*In Lebanon, an LLC is not allowed to issue public share or debt instruments. It’s also barred from conducting banking, investment, or insurance operations.**

**\* There should be a minimum of 3 partners and maximum of 20 partners. The number of partners can be increased to 30 in case of inheritance, but if the number of partners exceeds 30, the SARL has two options: either it is transformed into a joint stock company or it is dissolved.**

**\*A reserve fund must be formed by the company of creditors, in which the company must deposit 10 % of net profits in the fund until it reaches 50% of capital.**

* **Corporation**

|  |  |  |
| --- | --- | --- |
|  | **American** | **Lebanese** |
| **Formation:** | Formal Filing of Articles of Incorporation | Articles of Incorporation. Requires at least three founders for the incorporation process. Incorporators cannot be discharged with bankruptcy or charged with a financial crime or attempted a financial crime in the last ten years. |
| **Funding:** | Debt(bonds) and Equity(Common stocks, preferred stocks). | Shares in a JSC are negotiable securities that may be issued in the form of registered shares, shares to order, or bearer shares. S.A.L can also issue bonds for debt financing. |
| **Management:** | Board of directors, officers, and/or executive committee which is set up by the board of directors and assumes the responsibility of the daily management in order to reduce the frequency of meetings of the board. | A JSC is managed by its board of directors, consisting of a minimum of 3, and a maximum of 12, directors, a majority of whom must be Lebanese. CC 144. The initial directors may be named in the Articles of Incorporation or elected at the Constitutive Meeting; thereafter, they are elected by shareholders to terms of up to three years. Directors may not have declared bankruptcy or have been convicted of a financial crime, or attempted financial crime, in Lebanon or abroad, during the previous 10 years. CC 148. Any transaction between a director and the company is subject to the prior approval of a General Assembly of shareholders. The chairperson of the board of directors either manages the day-to-day operations of the company or entrusts the day-to-day management to a general manager appointed for a fixed term. CC 153; 157. The general manager has the powers necessary to operate the company delegated to him, and while not classified as a merchant under the CC, a general manager may be subject to civil and criminal liability for his actions as manager in the event of bankruptcy. |
| **Transfer Control:** | Shares(with reasonable restrictions) are easily transferred | Registered or ‘nominal’ shares are issued in the name of their owner, and may only be transferred by change in registration upon the company’s share register. . Ownership of bearer shares comes from mere possession of the stock certificate, and transfer is accomplished by mere delivery of the stock certificates. Shares to order are issued with the name of the owner printed on the share certificate, and may be transferred by the owner by endorsement. |
| **Taxes:** | Double-Taxation. Pays entity-level taxes on its profits. | Pays entity level income tax on its profits |
| **Dissolution:** | Only if limited in duration or shareholders vote to dissolve. Bankruptcy. | Same as in the united states. |
| **Liability:** | No shareholder personal liability unless the corporate veil is pierced or members hold watered shares which are shares that have not yet been fully paid up and thus creditors can look for the member’s assets but only to the amount due on the shares | Unlimited liability for shareholders. |

**\*also called (S.A.L.)**

**\*All banks in Lebanon are S.A.L**