

Interview with Dr. Katy Ritzmann, GSK Stockmann

“In Israel you simply sign a contract and send it per email”

A common saying in Israel is that in Jerusalem you pray, in Haifa you work and in Tel Aviv you party. This quote doesn't seem to be entirely accurate – people apparently work everywhere. In reality, the country is home to the world's most active start-up scene. Jerusalem, Haifa and Tel Aviv, the centers of the sector, are growing beyond their proverbial jurisdictions to establish themselves as start-up hotspots. Naturally, German investors are also increasingly turning their attention toward Israel. Investment companies there are doing the same thing. They're looking beyond the relatively small domestic market toward other countries, including Germany. This is good for economic development, and of course, for understanding among nations, but it's not always easy. Yes, in Germany you spend a lot of time with a notary if you want to invest; and no, in Israel you don't need to write down every detail in a contract.

VC Magazin: Dr. Ritzmann, how do Israeli venture capital investors deal with the local legal structures when investing in German start-ups?

Ritzmann: German companies are usually founded as limited liability companies, abbreviated “GmbH.” This causes questions to arise for Israeli investors doing business in Germany for the first time. The Israeli counterpart to an LLC is the Limited – however, this form is much more relaxed when it comes to formalities. In Germany, the investor suddenly comes across numerous legal and bureaucratic stipulations; just think of the certification requirements. This concept of sitting for hours at a notary's office, bringing countless powers of attorney and certificates of incorporation, and having them notarized and apostilled, prompts occasional head-shaking. In Israel you simply sign a contract and send it per email.

VC Magazin: Do legal structures in Israel raise just as many questions with German investors?

Ritzmann: From a legal point of view, a German investor will find it easier to invest in an Israeli start-up. As mentioned previously, the Limiteds there are subject to far fewer formal stipulations and requirements; this also applies to investments.

VC Magazin: Do venture capital investors set different requirements depending on their country of origin?

Ritzmann: In Israel things are not done much differently than in Germany. The business terms are similar in both countries. However, what we see in everyday operations is that Israeli clients often place value on advisory board positions. Israeli investors often take on a very active role in supporting start-ups, and a position on the advisory board is a good point of departure. German investors also request advisory board positions, but usually only after they've gained the



Dr. Katy Ritzmann

is a partner in the corporate law firm GSK Stockmann. She advises venture capital investors as well as start-ups who have questions about digital and data protection and technology. Dr. Ritzmann speaks fluent Hebrew and has an additional qualification as a Foreign Lawyer Germany from the Israel Bar Association.

lead in large funding rounds. Generally speaking, Israelis place more value on this, and veto rights are also more important to them.

VC Magazin: Because they're suspicious?

Ritzmann: The German peculiarities of statutory and minority protection stemming from case law are unknown in Israel. And in the area of capital venture, we are usually talking about minority shareholding. Israeli investors therefore usually assume, based on their experience in their own country, that veto rights must be arranged in detail. For

BioEntrepreneurship Summit 2019

create the future of medicine

Munich, October 15 - 16, 2019

The BioEntrepreneurship Summit brings together all relevant stakeholders of the bioentrepreneurial and health tech ecosystem.

- Be part of the bioentrepreneurial ecosystem !
- Don't miss key trends shaping the industry and the future of medicine !
- Meet exciting pre-seed and start-up showcases !
- Learn from peers, experienced entrepreneurs and industry leaders !
- Be inspired by key notes and captivating panel discussions !
- Participate in workshops, clinics and other interactive formats !
- Enjoy the m⁴ award ceremony !

Bayerisches Staatsministerium für
Wirtschaft, Landesentwicklung und Energie



platinum sponsor



gold sponsor



silver Sponsors



Venues

TranslaTUM + Munich Residence

www.bioentrepreneurshipsummit.org

example, beyond legal protection, they often define a list with certain types of operations that the management of the start-up can only address with previous authorization – either on an investor or advisory level. Occasionally, relatively extensive lists of deals requiring authorization are negotiated. Examples of this are taking out a bank loan or concluding a contract that extends beyond day-to-day operations, or contracts that pertain to the technology of data-driven start-ups. From an investor's perspective, the ideal solution in such cases is an individual veto right. Should a start-up be "hot," it might have a better negotiating position, in which case you try to write at least the requirement that the share class must assent into the contract.

VC Magazin: So there are a few obstacles that stand in the way of investments across borders. Does that hinder the further development of the Israeli-German ecosystem?

Ritzmann: No, because both sides recognize that the advantages clearly outweigh the obstacles. By now, there are a number of German corporations that have at least one representative in Israel who analyzes the market and looks for investing opportunities. Other large companies rely on their

own incubators in Tel Aviv or Jerusalem. German companies have not only slowly begun with digital transformation; they're now in the middle of it. Word has spread that Israel is a hub of technological development – which is incredibly exciting for local companies. On the other hand, there is now a significant number of Israeli investors who have made numerous investments in Germany. The Israelis have understood that the German Federal Republic is the gateway to Europe – a diverse but immense market. Germany is predestined for this, for a number of reasons: It's close to Israel; you can fly "home" in four hours. Also, there's practically no time difference. That facilitates work across locations. Furthermore, Israeli investment companies have understood that, though the European market may not be able to compete with the U.S. in terms of speed, business relationships usually last much longer. Conversely, Israeli start-ups really value having investors from Germany on their cap table; it demonstrates internationality and usually automatically opens the way to Germany.

VC Magazin: Dr. Ritzmann, thank you very much for the interview.

isabella.bauer@vc-magazin.de