

**CORPORATE AND
FAMILY BUSINESS
GROUP**





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In Mexico, substantial portions of family businesses disappear by the second or third generation. The family businesses that have achieved steady, consolidated growth over time are those that have known how to combine proper corporate and family governance, structured succession, and the professionalization of the administrative management of the company. Sánchez Devanny's integrated multidisciplinary team of specialists tackles the tax and legal aspects of family business, enabling cross-generational consolidation. To do so, we work closely with our clients to understand the sensibilities of inter- and intra-family relations and the objectives for the training of future generations. We also work closely with clients to acquire a deep understanding of their businesses, to help them find long-lasting governance solutions that will help them flourish.

An obstacle we have encountered for the development and succession of family businesses is the prevailing idiosyncrasies of Mexican families, which heightens with cross-border families. Hence, in our experience, the guidance of professionals who understand the cultural heritage of the family is essential. Our clients benefit from the multi-jurisdictional qualifications of our lawyers, providing high quality services while preserving both Mexican traits, and those that transcend our borders. To do so, we rely on our extensive network of counterparts in the United States, Canada, Israel, Germany, Spain, France, Switzerland, and the United Kingdom, among others.



The approach of our specialists focuses on the following factors:

FAMILY BUSINESS SUCCESSION

- » Analysis of continuity scenarios and design of the family succession plan consistent with the business strategy plan.
- » Preparation of family protocols as a code of conduct regulating family members' relationships with the business from the standpoints of governance, management and ownership.
- » Design of family governance structures, mainly the family meetings and family council.
- » Preparation of plans aimed at establishing the principles that will govern the generational handover.
- » Mediation and dispute resolution.
- » Training sessions for the family, through customized training programs based on the features and interests of the specific family group.
- » Establishment of the family office as a service locus for the optimization of, and the search for greater efficiency in, returns on family assets organizations to provide prompt response to our clients' needs.

TAX LAW

- » Establishment of corporate and asset structures that reduce and adapt the taxation of family businesses and family entrepreneurs to tax incentives and current legislation.
- » Advice on the tax implications of establishing the family office, seeking tax efficiency for successions and assets, both in Mexico and in other jurisdictions that may affect families.
- » Analysis of legal strategy mechanisms for obtaining liquidity.
- » Tax analysis of investment and divestment structures in the family business internationalization process.
- » Advice on tax incentives for philanthropic activities.
- » Establishment of mechanisms for the segregation and decantation of resources, taking into account different tax residences of potential structure beneficiaries.
- » Guidance on proper compliance with money laundering and governmental tax information exchange requirements, and the furnishing of information requested by financial institutions and trustees.

INHERITANCE AND MATRIMONIAL LAW

- » Analysis of the impact of unexpected disability or death of certain members of the family on the management of business and family assets.
- » Succession planning in the event of death, in relation to asset transfers and the asset management system.
- » Planning for distribution of assets and profits to beneficiaries, taking into account the specific conditions of each family and creating flexible and dynamic mechanisms that adapt to the changing needs of each family unit.
- » Planning for the economic arrangements applicable to marriages and stable unions, and on potential prenuptial and separation agreements.
- » Advice on the opening of testate, contractual and intestate successions at both international and local levels.
- » Planning for and advice on gifts of company or family assets in relation to asset transfers and the asset management system.
- » Advice on philanthropic and social management policies such as family and family business policies.

FAMILY BUSINESS PROFESSIONALIZATION

- » Integration of family and business strategy into the management professionalization process. Planning for and management of organizational changes.
- » Design and implementation of compensation systems for the family members and the directors of the family business.
- » Design and implementation of medium- and long-term incentives.
- » Design of executive development plans and compensation systems linked to the retirement of family business executives.
- » Training and educating members of younger generations as they reach the requirements to become involved with the most relevant legal and tax aspects applicable to the structures, resources managed and distribution entitlements.

CORPORATE LAW

- » Preparation of shareholders' agreements aimed at protecting the family business and legal implementation of family protocols.
- » Collaboration agreements, alliances and joint ventures at both the domestic and international level.
- » Legal advice on business internationalization, both in terms of set-up (including representative office, branch, company, company acquisitions) and in terms of contractual formulas (including purchase and sale, supply, agency, distribution and franchise).
- » Legal advice on the financing of the family business: bank financing, issuance of debt and securities, investments by private equity funds, issuance of stock in stock markets, and so on.
- » Business restructurings and corporate reorganizations, including transactions involving structural modifications (such as mergers and spin-offs).
- » Advice on and execution of the sale and purchase of family businesses and equity participation amongst family members.
- » Board and corporate secretary services.
- » Advice on intellectual and intangible property, both in Mexico and worldwide.
- » Design of business governance structures and establishment of corporate governance and money laundering prevention.
- » Design and execution of family and business asset separation plans.
- » Execution of succession plans and ownership transfers.
- » Design and execution of shareholder separation processes.
- » Assistance with shareholder disputes or potential disputes.
- » Establishment of the family office.

REPRESENTATIVE EXPERIENCE

- » Structured the succession planning and implementation of succession trust for a high net worth family, whose beneficiaries of the estate are dual citizens (US and Mexico). The estate comprises a Mexican corporate holding vehicle that in turn owns multiple operating businesses in the energy, finance and real estate sectors as well as a Bahamas corporate treasury company. Additionally, a personal wealth management structure comprised of vehicles located in the U.S. and Canada in place that allows for tax efficient wealth management, protecting the estate from U.S. estate tax. Upon passing of the patriarch, the Mexican succession trust will decant to multiple US trusts for the benefit of the children.
- » Structuring of family planning succession trust and corporate holdings, which comprises two private placement life insurance policies for the management of liquid assets, the holdings for the corporate operations, the management of multiple real estate development projects with properties under management and development in Mexico and the United States, as well as corporate investments in Israel. The project required the re-domestication of a corporation established for US estate tax protection from Panama to Mexico.
- » Assist in management of Bahamas Leaks story, including providing detailed analysis as to tax and criminal exposure of Mexican individuals having assets in the Bahamas, potential alternatives for enhancing Bahamas tax legislation to achieve greater levels of transparency and trust vis-à-vis the Mexican tax authorities, prepare potential petition to file before the Mexican tax authorities for ruling on recognition of specific tax treatment of Bahamas-based estate planning vehicles.
- » Assist firm's clients in bringing their international estate planning structures into compliance with Mexican law and design new estate planning structures that are fully compliant with Mexican law but provide legitimate and legal tax advantages. Assist firm in guiding the estate of a deceased client in determining the tax and legal treatment of domestic and international assets left to beneficiaries who are Mexican residents who have dual U.S. citizenship. Assist firm in unwinding an international estate planning structure into a new compliant structure that is governed held under a Dutch entity and governed by a U.S. testamentary instrument.
- » Structured a private pension and retirement fund for high net worth individuals and families allowing for tax compliant tax deferral with full observance of Common Reporting Standards provisions.
- » Provide guidance and in-depth analysis to the clients' broker and banking sales force in respect to (i) implementation of Common Reporting Standard in Mexico and how it applies to international estate planning structures with Mexican final beneficiaries, (ii) potential alternatives for enhancing and bringing into compliance



existing international estate planning structures and (iv) potential administrative and criminal liabilities for non-compliant Mexican residents who are beneficiaries of international estate planning structures.

- » Structured the succession vehicle for an Ultra High Net Worth individual whose net worth exceeds 1.5 billion USD. The structure implied the implementation of two succession trusts. The first encompassed the personal real property of the family estate, including a survivorship entitlement of use for the patriarch's widow, who is his second wife and with whom no children were born, who had a family of her own, with all rights of ownership passing retained in the trust for the benefit of the children and grandchildren, with limited disposition rights. The second trust required the reorganization of the corporate holdings and the establishment of a family governance trust. Said trust establishes the guidelines for the ownership of the corporate interest and the interaction between the family trust and the corporate governance of the corporate interests.
- » Restructure of financial and real estate holdings for Mexican family worth over USD 1 billion to take into consideration U.S. pre-migration income and tax issues as well as efficiency of Mexican tax on the operating income, on potential sale of Mexican business assets by U.S. shareholders, and of the transfer at death of Mexican stock and real state. The restructure involved design and implementation of Mexican trusts for holding stock of diverse Mexican operating companies with Mexican public debt as well as highly valuable agricultural land, which trusts allowed for income and estate tax efficiency both in the U.S. and in Mexico and provided for sophisticated corporate governance and succession planning provisions and mechanisms to ensure continuity of business from a multi-generation perspective.
- » Provide institutional legal analysis and opinion on tax and legal treatment of international life insurance policies acquired by Mexican individual and corporate clients, including (i) the effects on such policies of recent changes to Mexican insurance law and Mexican income tax law, (ii) viability and validity of acquisition of life insurance policies by domestic and international trusts, and (iii) analysis of tax treatment of payment of death benefits and cash surrender value. Coordinate with U.S. and foreign counsel for the design and implementation of estate planning structures with international life insurance policies where there exist potential U.S. and European beneficiaries.

Who we are

Sánchez Devanny is a leading Mexican law firm that provides full-service legal advice both to Mexican and international clients.

More than attorney-client services

We build enduring client relationships that go beyond individual service contracts because we make every effort to understand our clients' businesses and expectations, to serve as an ally, and to provide complete, accessible and personalized advice. As a testament to these efforts, we continue to advise clients today who have trusted us with their legal matters since the firm was founded in 1996.

Experience and creativity

Throughout the firm, we take pride in serving our clients with a combined approach of experience and creativity because we recognize that when you know how things are done it is easier to think outside the box. Our partners offer a wealth of experience, including in prior roles as in-house counsels at global companies and government agencies, and key roles within international law firms.

With offices in Mexico City, Monterrey, and Querétaro, as well as several strategic alliances worldwide, the firm is well-positioned to quickly and efficiently represent and respond to clients' needs, shortening the distance between us and our clients. Our services are delivered in an efficient, professional, cost effective and timely manner, keeping always in mind that, as lawyers, we are business facilitators for our clients and must maintain a proactive and preventive approach.

Team

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Sánchez Devanny provides legal services in the areas of Corporate and M&A; Banking and Finance; International Trade and Customs; Real Estate, Infrastructure and Hospitality; Tax; Labor, Social Security and Immigration; Corporate Governance and Regulatory Compliance; Energy and Natural Resources; Environmental; Life Sciences; Intellectual Property, Entertainment and Sports Law; Litigation and Alternative Dispute Resolution; Antitrust; Capital Markets; Private Wealth Management and Estate Planning; Administrative Strategic Litigation and Data Privacy and Information Technology to both public and private clients, especially in the automotive, retail, pharmaceutical, manufacturing, real estate and energy industries among others.