



EDITORIAL

By Gabriel Tribaldos, Editor and Associate Attorney, MMG Trust, S.A.

We will discuss in this issue, topics of great interest to our clientele, introducing two highly versatile instruments such as the Panamanian trust and the escrow account. On the other hand, we've noticed an increased interest from our services in order to develop a better practice in the administration of family companies, something that without a doubt will clarify many grey areas in this type of enterprise.

Our colleague, Eduardo Gonzalez, will present some of the main uses commonly given to the panamanian trust and the benefits that offers to patrimonial and succession planning. However, we will show you, that not many are aware that this instrument is also very usefull for organizing trading and financial strucutres.

Another tool of great importance in many commercial transactions is the escrow services. As escrow agents we act as a guarantee to the parties seeking to properly finalize a transaction assuring them it will be done as they expect and within the timeframe established.

To finalize, we are living in times where the family business are being transferred to second and third generations. These transitions are in general quite complex if we take into account the many aspects that are essential not only for success and further growth of the company but also in preparing family members to undertake their future responsibilities. This matter involves thorough and continued counseling on a myriad of special fields and here, at MMG Trust, we will be very pleased to assist you.

The Panamanian Trust: Unlimited Versatility

By Eduardo González, Partner, MMG Trust, S.A., Panama



Panama is mainly a services country, where immigration laws that favor high net-worth individuals, a secure and reliable banking system, its appeal as a place for multinationals to establish their headquarters, and a high level of economic development induce trust companies to broaden their approach and promote trusts as a legal instruments to protect the interests of beneficiaries, through the management, preservation, investment, or securitization of assets, or in order to ensure the effective channeling and compliance of acquired commitments.

The Panamanian Trust owes its flexibility and versatility to its characteristic contractual arrangements, through which a wide range of activities can be undertaken, from simple succession and estate planning, to business management and asset securitization. MMG Trust has extensive experience in structuring and managing the most common types of trusts used

in Panama, and offers the advice and support needed to establish the trust best suited for the individual needs of each client.

Guarantee Trusts: on behalf of one or more creditors, the debtor surrenders to the trust company one or several assets in order to ensure compliance with his or her obligations. Guarantees on accounts receivable, rights, cash flows, and tolls, among others, can be structured through this mechanism, providing a more efficient, timely, and cost-effective alternative to other types of guarantees whose execution require judicial enforcement, such as, for example, pledges and mortgages.

Investment Trusts: their main purpose is the investment or placement of money or other assets in accordance with the instructions of the settlor.

Management Trusts allow any type of asset that normally requires professional management

to be held by a qualified Trustee, for the benefit of the settlor himself or of third parties, whether a spouse or minor children, creditors, venture partners or business associates.

The Real-Estate Development Trust is a specialized type of Management Trust in which a property owner, a developer and/or promoter, and a bank and/or investor, pool assets together in the hands of a professional trust company for it to supervise the administration of the cash flows and construction timelines of a building project, transfer the built units to the buyers and the profits to the beneficiaries.

The Traded Securitization Trust allows a company to issue bonds that may be freely traded in the stock market through a trust which also holds the repayment guarantee for the investors, thereby providing additional assurance as to the strength of the issue.

The economic boom reflected in the creation of new family estates, along with those from abroad, bode well for the Management Trust business. This is due to the growing demand for sophistication and diversification in asset protection brought on by foreigners who settle in our country, which is to become a benchmark for Panamanians not yet accustomed to this type of estate planning.

The Family Business: Planning for sustainable continuity

By Nestor Broce, Associate Attorney, MMG Trust, S.A., Panama



It is estimated that over 65% of any country's business sector is made up of family businesses. Some of these companies have a concrete plan for their continuity. Most of the time, however, this plan does not constitute a guarantee of sustainable continuity, since at the time of drafting the plan, the main factor taken into account is the relationship between the founder and future generations, ignoring other management issues highly relevant to both the business and the family.

For the development of an effective

plan, all these other factors should be considered in order to make it better suited to the particular family's needs and give the business the opportunity for development and growth throughout inter generational change processes.

A business family is a group of people united by blood, common legacy and origins, who share control and management of their own company. The company or firm is, at the same time, an essential part of their identity as a family. The founder and other immediate members of his family start the business with the intention and desire to maintain its continuity within the family's hands from generation to generation. Doing this successfully involves accurate and far seeing planning to ensure that future generations carry on the business, not only in a successful manner, but also with the same family and business culture that the founders instituted as company values.

It is important that the controlling members of the business are able

to harmonize the relationship between their family and their business. This must involve bringing up future generations with a sense of pride and belonging, preparing them to fulfill their primary role: generate wealth, protect their assets, and contribute to the stability and development of the company and the community where it operates. The transmission of these principles is not a task to be taken lightly. Instead, one must be prepared to convey this family lore in an organized and coordinated manner so that the rest of the company employees carry it forward once the generational change takes place.

This process involves the establishment of certain practices and institutions that create the necessary conditions to promote leadership, values, harmony, unity, commitment, shared vision, and the ability to resolve conflicts, among others.

The establishment of these practices requires the intervention of various professionals in each specialty so that the family and the

company may move in unison towards the future. MMG Trust can assist you in establishing a plan of action to the company focus on maintaining harmony and development for the family and the business, respectively. We have specialists in areas such as legal, financial, administrative, inter alia, that will help your family and your company pre-establish rules of management and succession.

Among the issues to be considered in the development of the basis for a successful family business are family cohesion, generational change, the transmission of values, the establishment of a Board of Directors for the Business Family, and the establishment of a Family Office, to name a few.

The constitution of a Family Office is perhaps the most practical instrument that a business family can pursue. With this instrument the family members can reach, with an organize and structured manner, the preservation of its wealth and also the development of their human talent.

Nestor Broce. Experience: Associate Attorney at MMG Trust S.A., since September 2008; BVI Association of Registered Agents, Ethics 2005-2006. Memberships: National Bar Association of Panama, Society of Trust and Estate Practitioners (STEP), BVI Association of Registered Agents, Rotary Club-South Panama.



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Deposit in Escrow Agreement: A viable solution for difficult financial times

By Laura Boyd, Associate Attorney, MMG Trust, S.A., Panama

In a globalized world, as the one we live in today, it is commonplace to conduct negotiations with third parties who are in different parts of the globe, and whom we may not have had the opportunity to meet personally.

In this context, telecommunications technology requires speed and efficiency to ensure effectiveness in responding to our business partner's needs and distance should not be an obstacle to developing the plethora of business opportunities available to us.

Moreover, as the world's economies have suffered from the effects of the financial crisis of late 2008, **confidence** emerges as a vital element in any negotiation/investment, and with it in jeopardy, the global business environment requires an alternative that allows economic relationships to flow unhindered.



The combination of rapid communications and the requirement for assurance that contractual terms will be met by all parties in a transaction however distant, bring to the forefront the Deposit in Escrow Agreement, or Escrow, an easy, fast, economical, and **reliable** alternative to assure the parties involved in a

negotiation that the counterparty will meet its obligations in full, as the assets being traded are placed in the custody of an agent (MORGAN & MORGAN ESCROW SERVICES LTD.), accepted by and unrelated to the parties, so that it may keep and manage if required the assets until the conditions for the release of the traded assets are fulfilled.

When Buyers and Sellers don't know each other, they need a third-party they can trust to turn to. At MMG Trust we make sure that confidence between parties is placed in the best hands, and that transactions are secure and worry-free.

MMG Trust is also the single point of contact to track and manage all aspects of the transaction, including third-party suppliers. Which is why so many of the fastest growing businesses are partnering with Escrows - so they can give more customers the confidence to buy and sell online.

That's why we are pleased to offer them the safe choice that is the Escrow Agreement, whose guarantee is backed by the more than 80 years of experience the Morgan & Morgan Group has in the global financial market.

Laura Boyd. Experience: Associate Attorney at MMG Trust, S.A., since July 2008; In-house Counsel, Casa Cor Panama, January-July 2007. Memberships: Panamanian Association of Business Executives.

MMG NEWS

We are pleased to announce that Morgan & Morgan has obtained authorization from the Government of the Republic of Singapore to provide legal advice and services from this thriving Asian country. Therefore, with immediate effect, aside from our core incorporation services from multiple jurisdictions, we offer our customers the wide range of legal advice offered by Morgan & Morgan worldwide.

From our Singapore office we are able to provide qualified advice on issues of corporate law, mergers and acquisitions, insurance and reinsurance, environmental

law, banking, energy and telecommunications, tax law, immigration, intellectual property, labor law, ship registration, civil, commercial, and admiralty litigation, among others.

We are proud to be the first Panamanian organization to receive this registration through the support of the Morgan & Morgan Group, the largest and most internationally-oriented law firm in Panama and Central America. With 86 years of experience, the Group has approximately 800 employees and an extensive and efficient network of offices in 22 cities across

the Americas, Asia and Europe Europe, including Panama, Singapore, Belize, London, Madrid, British Virgin Islands, The Bahamas, Zurich, Geneva, Lugano, Luxembourg, Beijing, Shanghai, Guayaquil, Quito, Hong Kong, Piraeus, Buenos Aires and Bogota. Morgan & Morgan has the unique ability to offer its customers the full range of legal, fiduciary and banking services, all under one roof.

Any questions please feel free to contact Mr. Alexis Medina A., LL.M., TEP, Executive Director, Morgan & Morgan Corporate Services PTE Ltd.

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