



Introduction to the proceed of Family Protocol

a Spain perspective

Definition

- **Agreement** reached and developed among the **Members of the Owing Family and their own Family Company**, which makes possible the appearance a **Code of Behavior** regulating their relationship.

When is a Family protocol needed?

- The **succession** regarding the Family Company triggers **unknown situations and challenges** to the **family** as well as to **the Company**.
- **Planning ahead** is the key to find an effective solution to **market** demands and to **family requirements**.

When is a Family protocol needed?

When the Founders step aside, usually there is a progressive segmentation of the equity of the Company.



Different **visions** of the Company
Different **motivations**
Different **Economical needs**
Passive and **active** shareholders
New **aspiration** of power...

When is a Family protocol needed?

The **lack of the founder** will provoke divergences and opposed interests which should be addressed by **the Company and the Family**.



The **Family Protocol** is a **useful** tool to **solve** the **problems** created by a **transition of power**.

Protocol and take over by the new generation

The Family Protocol allows an effective management of the transition process and the transfer of equity interests.



Property is the cornerstone of the Company

All **rights** are born from the property

Protocol and take over by the new generation

CONTROLLING THE OWNERSHIP TRANSFER

SINGLE
MANAGEMENT



TRANSFER



SHARED
MANAGEMENT



WE MUST < ORGANIZE PLAN > THE SHARED MANAGEMENT

Protocol and take over by the new generation

- The transfer of the Family Company must address these criteria:

a) Quantitative distribution



INSUFFICIENT

b) Qualitative distribution



CRITICAL

- The election of the heir/s



COMPANY
VIABILITY

- The transfer structure

Protocol: family communication as an issue

Family Protocol makes easier the **dialog** between family members.

The main obstacle for a fluent relationship between Company and Family is a lack of communication.

Protocol sets up the dynamics and atmosphere for communication between family and company.

Protocol: family communication as an issue

- **Problems between parents and children.**
- **Problems between siblings.**
- **Problems between shareholders.**

Protocol: rules of the game in the company

PROTOCOL sets up criteria to work for the Company

A lack of criteria will make transition difficult and will produce tension :

- **Lack of objectivity in the evaluation of relatives.**
- **Hiring non-skilled relatives workers.**
- **The new generation do not have external experience or professional training inside the Company.**
- **Excessive remuneration of Family members.**
- **Retirement of Family members.**

Protocol: rules of the game in the company

Family Protocol allows to create effective
Managements Bodies

COUNCIL FOR Family Affairs



Protocol application

GENERAL MEETING



Represents equity of the company

BOARD OF DIRECTORS



Strategy, Management, Appointments

DIRECTORATE-GENERAL



Executive Board

ADVISORY COUNCIL

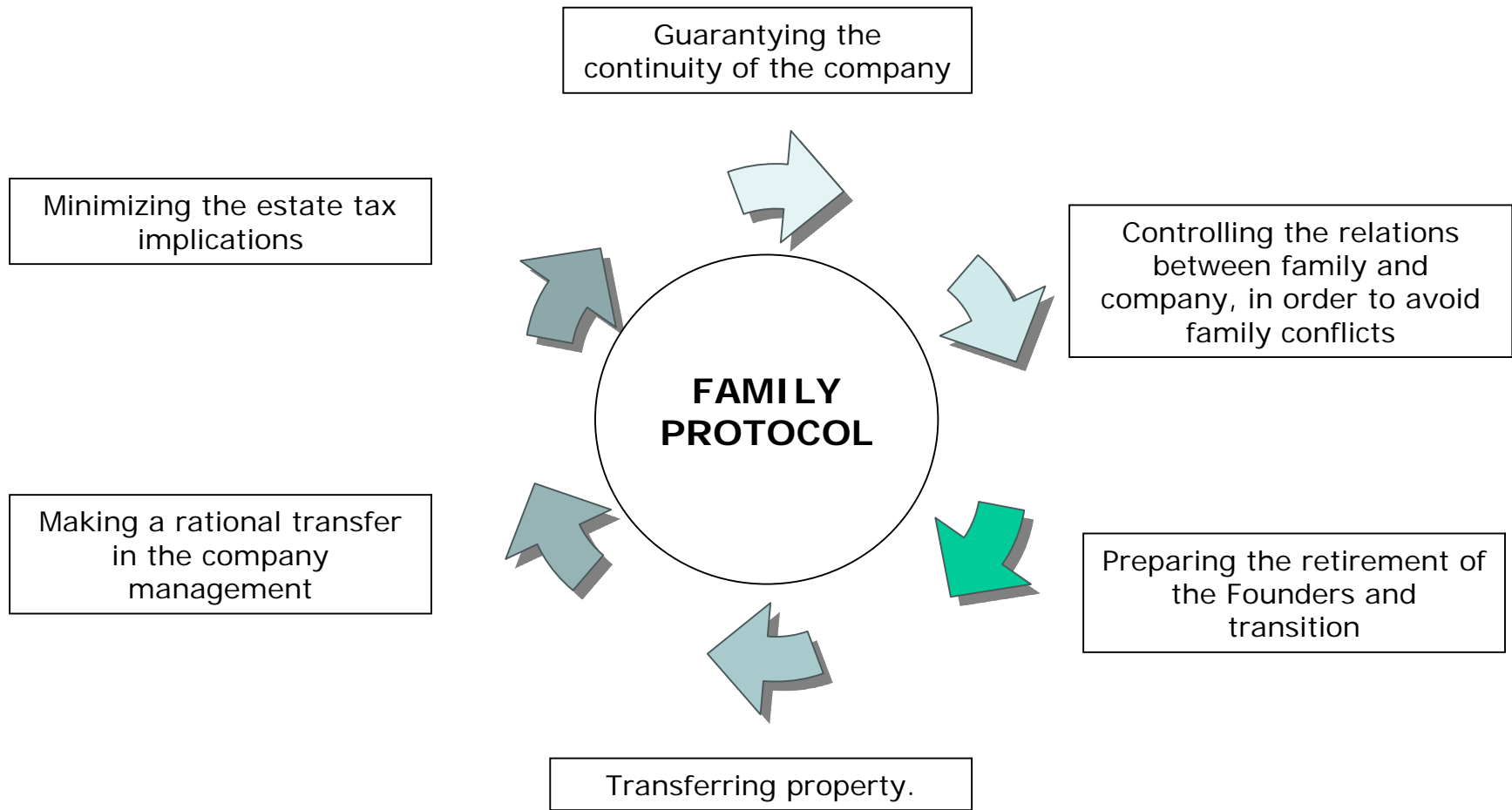


Advisors

Protocol and Tax planning

Family Protocol will minimize Estate taxes

Family Protocol advantages



Family protocol contents: field

- **Subjective aspects:** parties, new members.
- **Objective aspect:** companies and equity, inclusion rules.
- **The nature of Agreement:** binding agreement, complementary legal development.
- **Family values and corporate principles:** solidarity, professionalism, training, etc.

Family protocol contents: working and training

- **Hiring relatives:** capacity, training, remuneration
- **Education of the Youth:** freedom of education, collaboration of Family Council by request, subsidize and financing, training at the Company. Advantages to working in outside companies (who could ask for help?, who is looking for it? to control, where, ...)
- **Choosing between relatives:** who can, in which circumstances, who approves, fair compensation, restrictions, ...

Family protocol contents: property and economical rights

- **Share transfers:** regulations, wills, restrictions, preemptive Rights or disposal of shares, price.
- **Periodic valuation:** subject, financial institution responsible to evaluate, frequency, addressee.
- **Minimum dividends:** amount, majority available to modify statutory obligation.
- **Family cash stock and liquidity:** terms, resources, management.

Family protocol contents: decision bodies

- **Share Council for Family Affairs:** mission, members, operation, specific duties.
- **General Meeting:** mission, operation, specific duties, special majorities.
- **Boards of Directors:** mission, admission requirements, ethical obligations, operation, specific duties, majorities.
- **General Management:** definition, mission, admission requirements, election system, evaluation and succession, ethical obligations, specific duties and relationship.

Family protocol contents: Family behaviour

- **General principles:** respect, confidentiality, loyalty, etc.
- **Use of names:** prohibitions, authorizations.
- **Public behavior:** respect and support, not make public internal differences.
- **No competition:** prohibitions, authorizations.
- **Family Traditions and culture:** family meetings.

Family protocol contents: Protocol development

- **Protocol development:** expert committee, documents to develop, approval, etc...
- **Interpretation:** who, process, effects.
- **Arbitration in controversies:** who, process, jurisdiction, effects, expenses, etc...
- **Subsequent amendments:** majority, procedure, experts.

Legal aspects: Binding agreement

Validity of Family Protocol

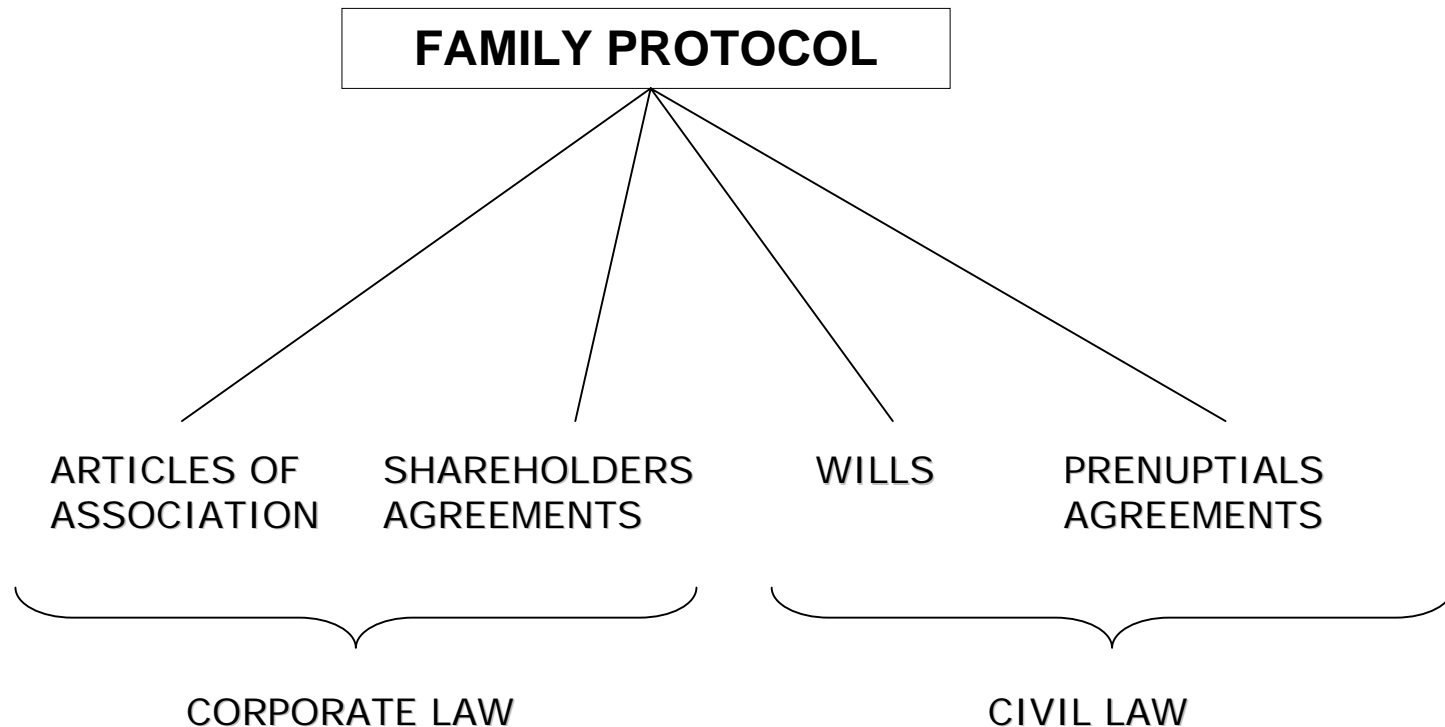
A) Between the parties:

- Moral validity
- Contractual validity (and for their heirs too, apart from exceptions)

B) Against third parties. Advertising requirement:

- Corporate aspects: recording in Companies House
- Company assets: registration in the Record of Deeds, Patent Office.

Legal aspects: Legal development



Legal aspects: Wills and Estate law

1. ESTATE TAX

- The **will** must guarantee the continuity of the Family company.
- To reach a consensus between **management and the right of the heirs and the widow.**

After this slide, we inform about legal effects regarding the Company provoked by a lack of will.

Legal aspects: Family law

2. FAMILY LAW

- The **property of the Family company** could be threaded by relationship between its members and their couples, being essential to regulate it.



To grant a **prenuptial agreement**

Legal aspects: Corporate law

3. CORPORATE LAW

- Restriction on shares transferability
- Indirect transfers.
- Precautions on seizures.
- Prohibition of pledging of shares.
- Exit rights.
- Tag along / drag along.

Legal aspects: Tax law

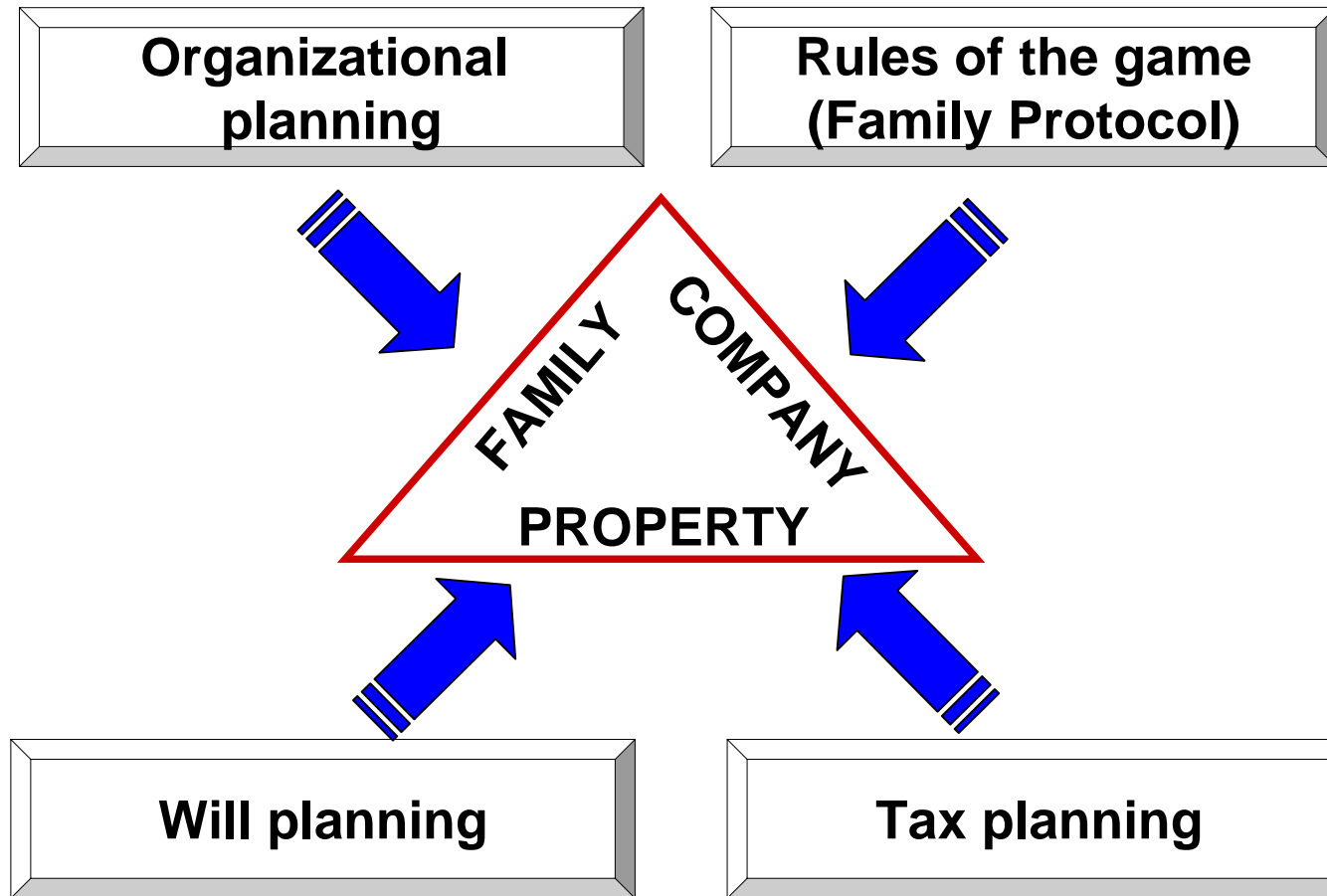
4. TAX LAW

- Planning and implementing operations and projects **to take advantage from tax or corporate benefits, according to existing law.**

Conclusion

- Transition of power of **planning** is essential for the continuity of the Company.
- The **legal system** allows **several ways** to regulate delicate aspects of Generational relief:
 - Civil: wills and prenup.
 - Corporate: shareholder agreements.
 - Tax: estate optimization.

Conclusion



Work plan

<p>Stage I</p>	<p>Family awareness process</p>	<ul style="list-style-type: none"> • <i>Family starts to be about the process.</i> • <i>Promoting an appropriate attitude in the family.</i>
<p>Stage II</p>	<p>Getting to know of the Company: (strategy; organization; duties; activities, etc) and of the Family (people; values; criteria differences; etc</p>	<ul style="list-style-type: none"> • <i>Allowing the Consulter to know, as depth as possible, the antecedents and current situation.</i>
<p>Stage III</p>	<p>Family consensus about the Future Business Model</p>	<p><i>Analysis and Conclusion:</i></p> <ul style="list-style-type: none"> ◆ <i>Commitment between Family and Company</i> ◆ <i>Important elements of Future Business Model</i> <p><i>Conflict resolution and improvement of communication</i></p>

Work plan

<p>Stage IV</p>	<p>Family Protocol development</p>	<ul style="list-style-type: none"> • <i>Establishing a Behavior Code Family/Company to the Future Business Model.</i>
<p>Stage V</p>	<p>Legal implementation</p>	<ul style="list-style-type: none"> • <i>Amending Articles of Association accordingly.</i> • <i>Wills and other documents.</i>
<p>Stage VI</p>	<p>Implementation</p>	<ul style="list-style-type: none"> • <i>Planning of implantation stages.</i> • <i>Starting up the Shareholder Agreements.</i> • <i>Promoting the different Bodies of the Company.</i>