

Author: Cristina de Alba Lawyer at Alcogal

Merger of Corporations in Panama

The merger agreement must be approved by the shareholders of each corporation, and the corresponding minutes containing the approval resolutions are formalized together with the merger agreement in a public deed, which is registered in the Public Registry of Panama.

The merger of corporations is a juridical operation that is frequently performed in Panama, by which two -or more - companies become a single entity. It can be done by integration (a new corporation is formed that acquires the assets of the initial corporations) or by absorption (one of the companies absorbs the others, integrating their assets into the surviving company). In both cases, except for the surviving company in a merger by absorption, the original corporations cease to exist as a result of the merger.

In order to register the merger, the directors of the merging companies must execute a merger agreement detailing the terms and conditions of the merger, how it will be carried out, and the manner by which the shares of each of the companies will be converted, as well as including other provisions that may be required in accordance with applicable law. The merger agreement must be approved by the shareholders of each corporation, and the corresponding minutes containing the approval resolutions are formalized together with the merger agreement in a public deed, which is registered in the Public Registry of Panama. Registration of the merger agreement in the Public Registry is necessary to perfect the merger, and results in that the initial companies, except for the surviving company in a merger by absorption, cease to exist individually.

In the case of a merger by absorption, all the assets, rights, privileges, powers, and franchises, as well as all the restrictions, obligations, and duties of the absorbed corporations, are transferred to the absorbing



corporation. It is also worth noting that the rights of creditors and encumbrances corresponding to the absorbed corporations will not be prejudiced by the merger, but rather the absorbing corporation surviving the merger assumes all the debts and obligations of those companies being absorbed.

The registration of the merger does not eliminate the need to take the necessary steps to transfer the assets of the merged companies to the surviving company. These transfers must comply with applicable requirements, according to the laws of the jurisdiction where the assets are located. We recommend that our clients seek advice in the relevant jurisdictions.

Of note: in cases where there are foreign companies participating in the merger, it is necessary to register these as foreign companies/branches in Panama, or to redomicile them to Panama, if the jurisdiction of origin allows it, in order to perform the merger.

Visita: www.focusalcogal.com