PLAN B BRAZIL

INDEPENDENT INVESTMENT ADVISORY

Buying Property Through an SPE

WHAT YOU NEED TO KNOW BEFORE SIGNING

The legal gap, the historical reason behind Brazil's buyer-protection law, and hands-on personal experience — told honestly, without sugarcoating.

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The Short Version

If you're offered a stake in a project through an SPE (Sociedade de Propósito Específico) with a higher-than-usual commission, a slick presentation, and a promise to "get in at the earliest stage" — read this before you agree. I've been through this structure myself, both as an advisor who brought clients into one and as someone who's been paid through one. Here's the honest version: what the law says, and what actually happens in practice.

What an SPE Is

An SPE Sociedade de Propósito Específico is a legal entity created for a specific investment project. The idea is simple: the developer sets up a separate entity for one project, and investors buy in through shares (cotas) in that entity, rather than purchasing a finished unit directly.

It's worth understanding: this structure was specifically designed to **prevent the "defrauded buyers" history from repeating.** It has two genuine legal advantages: first, liability is segregated strictly project-by-project — problems on one project don't carry over to another. Second, for the developer, it's a way to scale using borrowed funds without mixing capital across different developments. That's exactly why large, experienced developers use SPEs routinely — the structure works when it's managed in good faith.

DON'T PANIC AT THE WORD "SPE"

The structure itself isn't a reason to run. The danger appears when an SPE ends up in the hands of a dishonest developer or construction administrator — then it turns into a ticking time bomb, and sooner or later it goes off. The issue isn't the tool, it's who's using it.

The Legal Gap No One Mentions in the Pitch

Here's a fact worth knowing beforehand, not after: **Brazil has no dedicated law governing SPEs specifically in real estate.** That's not my opinion — it's the direct wording used by Brazilian lawyers who specialize in this area.

There's a separate, much stronger protection mechanism — **patrimônio de afetação** Law No. 10.931/2004 . It segregates a specific project's assets from the developer's general assets: if the company goes bankrupt, the project's money and property do **not** get swept into the general bankruptcy estate — they go to the buyers.

THE KEY NUANCE

Adopting patrimônio de afetação is **voluntary for the developer, not mandatory.** They can adopt it, or not — and the marketing materials usually won't mention this either way. This is the first question to ask before signing anything.

✓ Patrimônio de Afetação Adopted

- Project assets are segregated from the developer
- Funds are protected in a bankruptcy
- Construction continues, or buyers get priority in bankruptcy
- A more transparent, verifiable structure

⚠ Not Adopted

- Project assets are mixed with the developer's general assets
- In a bankruptcy, buyer funds sit in the general pool of debts
- Risk of the "bicycle effect" — project funds diverted elsewhere
- Minimal protection if the developer runs into trouble

Where This Law Came From — and Why It Matters

The patrimônio de afetação law didn't appear in 2004 by accident — it was enacted **after the collapse of the developer Encol** in the late 1990s, which went bankrupt and left **more than 700 unfinished properties** across the country. Before that, lawyers documented what became known as the **"bicycle effect"** efeito bicicleta: money collected for one SPE project was redirected to plug holes in another project by the same developer, whose funds had already been misused.

If this reminds you of 1990s housing-cooperative scandals and defrauded buyers, you're not alone in that impression. The mechanics really are similar: collecting construction money before a project is actually structured and protected.

The Risk Premium — and Why "30-40% in a Year" Promises Should Worry You

It's important to separate two different things. The **risk premium** is what a developer promises an investor for entering the structure at the earliest, riskiest stage. This is where the tempting promises live — "you'll earn 30-40% in a year." My honest view as a practitioner: that's not systematic. There may be isolated successful projects that hit those numbers, but when it's presented as the norm rather than a rare exception, that's a red flag, not a realistic scenario.

The **commission** is a separate story, and it's about me as a broker, not about the investor. I receive it from the developer for selling units within the SPE structure. That's where I had a personal, unpleasant experience, which I'll describe below.

My Own Experience — From Both Sides of the Same Deal

I'll be honest about this, because I think it matters more than any theory — and from two angles at once: as a broker, and from the standpoint of the client's outcome.

THE BROKER'S SIDE — A DELAYED COMMISSION

I worked as a broker and sold three units to my clients within one SPE project — contracts signed, down payment made, everything done properly. I went to the developer for my commission, and was told: "We'll definitely pay you, but only after the investment group closes" — meaning after roughly 80% of the units sell and the construction budget is formed.

The wait was long. From a broker's standpoint, that means next time I'll think hard about whether to bring clients into a similar project — not because the project itself is bad, but because the structure doesn't work in my favor as an intermediary who needs money today, not many months from now. Worth noting: Brazilian developers are already aware of this issue and have started inventing bonuses and incentive schemes for brokers — because nobody wants to wait.

THE CLIENT'S SIDE — THE DEAL WORKED OUT

At the same time, the project itself delivered honestly: the developer completed construction **on time, without delays**, exactly as promised. The client, net of all costs and commission, earned **42% in hard currency** — entering at an early stage as the SPE structure intends, plus a solid discount for paying the full amount upfront in cash.

An Honest Balance — Both Sides of the Coin

This system has both upsides and downsides, and I want to say that plainly. It worked out well for me and my clients specifically because we did deep due diligence on the developer and the project before investing — not because we got lucky.

But I also know other stories — projects that froze, never got finished, where the developer collected investor money and disappeared, now wanted by the authorities. People lost money. There are, unfortunately, quite a few such examples.

So before making a decision — always consult a specialist. I'm glad to advise personally, and if needed, recommend lawyers and attorneys to discuss the risks of a specific project.

My Take — Weigh It Very Carefully

Yes, the pitch sounds convincing, and sometimes there's an early-entry discount. But the risk is real, and I've seen it not just on the client side but on my own. Even with an experienced developer at the helm, the structure itself carries layers of risk that aren't present in a conventional incorporação with a properly adopted patrimônio de afetação.

I would not recommend an inexperienced investor enter an SPE deal without support that actually verifies the structure, rather than relying on a polished presentation.

What to Check Before Entering an SPE

1. **Patrimônio de Afetação**
   Has it been adopted for this project — yes or no, in writing.

2. **A Signed Project**
   Is there an approved project, not just renders.

3. **Construction Permit**
   Has the alvará de construção been issued.

4. **Actual Construction Stage**
   Not what you're told — check documents, and the site in person if possible.

5. **Project-Stops Scenario**
   What happens to your money if construction halts.

Bottom Line

> An SPE is a legal, common structure, and not every such project is problematic. But it carries a real legal gap (no dedicated law), a real historical reason for caution (Encol, the "bicycle effect"), and my own experience confirms the risks are concrete, not theoretical. A higher commission isn't a reason to go in without looking. Weigh it carefully, verify patrimônio de afetação in writing, and don't rely on the presentation alone.

*Informational material, not legal or investment advice. Legal framework confirmed by Dr. Wilian Campos (OAB/SC 50.897), **WK International Services**, July 2026. Risk assessments reflect Konstantin Bievskikh's personal practical experience.*

Your Path Forward

1

Consultation

We discuss the specific project and its structure — is it worth the risk.

2

Structure Review

Introduction to an attorney at **WK International Services** for legal verification.

3

An Informed Decision

A full picture of the risks and terms, before you sign anything.

YOUR PERSONAL ADVISOR

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