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Structured equity securities (CKDs): a new alternative for long-term financing

Vicente Corta and Manuel Groenewold
White & Case
Mexico City

Mid-2009 saw the creation of new Mexican securities instruments known as Certificados de Capital de Desarrollo (structured equity securities or CKDs) that represent an alternative for long-term financing. These instruments were the result of extensive discussions between Mexican regulators and the local financial industry that culminated in significant regulatory changes on two fronts:

(i) the investment rules applicable to Mexican mandatory pension funds (*sociedades de inversión especializadas de fondos para el retiro*, Siefores); and

(ii) securities regulations applicable to issuers of registered securities to be listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*).

Under the current regulations, CKDs are structured through Mexican trusts whose purpose is to issue Certificados Bursátiles Fiduciarios to be placed and offered to the public on the Mexican Stock Exchange. There are basically two types of CKDs:

(i) those issued to finance an individual company or project; or

(ii) those issued to finance a private-equity fund in order to invest in multiple companies or assets based on a business plan and certain eligibility criteria determined by the sponsoring manager.

It is important to note that CKDs may only finance Mexican companies or projects located within Mexico.

As of the date hereof, five offerings of structured equity securities representing a total amount of more than \$1 billion have been completed and a large number of proposed

offerings are currently in the pipeline awaiting authorisation from the Mexican regulator.

Siefores are without a doubt the most important Mexican institutional investors, with funds under management of more than \$90 billion. In particular, and as a result of the amendments to the Siefores' investment rules that allow investments in CKDs, Siefores have more than \$10 billion of funds available to invest in this new asset class.

The changes to the Siefores' investment rules have been the main driver for the creation of this new market. In that sense, the current regulatory framework has been designed to overcome certain restrictions applicable to Siefores, mainly that Siefores are (i) only authorised to make investments in publicly offered securities, and (ii) prohibited from making any types of commitments to make capital contributions.

The current regulatory framework is not perfect and thus continues to be the subject of constant discussions by all market participants. In particular, local regulators are closely following developments in the market and shaping the regulations to reflect such developments.

Notwithstanding the need for changes to make the structure of CKDs more efficient, the current framework has effectively made this investment opportunity available to Siefores in support of more diversified portfolios.

In addition to the foregoing, the CKDs phenomenon has had a spill-over effect on the Mexican capital markets. The changes to the Siefores' investment rules have also allowed investments in individual shares of small and medium-cap Mexican companies through initial public offerings. As of the date hereof, there have been at least three initial public offerings conducted on the Mexican Stock Exchange in which Siefores have participated in an aggregate amount of approximately \$36 million.

The Mexican Stock Exchange has also been participating in all of these developments and is actively promoting the creation of an alternative market for the purpose of allowing small

and medium-cap companies to access the capital markets and obtain new funds to finance their growth and development.

All of these regulatory changes have fostered the local Mexican capital markets. While it is still too early to completely assess the impact of all of the new regulatory changes and it is unclear which direction market participants will prefer to take in respect of equity investments, Siefores will certainly continue to drive the process. All of the recent amendments to the Siefores' investment rules have opened a wide range of investment opportunities for Siefores, including investments in CKDs, individual shares of Mexican companies through initial public offerings, debentures convertible into shares of Mexican publicly listed companies, subordinated debentures issued by Mexican banks or issued by special purpose vehicles to finance specific infrastructure projects located in Mexico.

The Mexican securities market has undergone profound changes in the last year and there are many opportunities for its continued development. It will therefore be important for market participants to closely follow said developments in order to be in a privileged position to take advantage of any opportunities.

Banking and capital markets

Recommended firms

Tier 1

Creel García-Cuellar Aiza y Enríquez
Galicia Abogados
Jáuregui Navarrete y Nader
Mijares Angoitia Cortés y Fuentes
Ritch Mueller
White & Case

Tier 2

Kuri Breña Sánchez Ugarte y Aznar
Santamarina y Steta

Tier 3

González Calvillo
Holland & Knight - Gallástegui y Lozano
Martínez Algaba de Haro Curiel y
Galván-Duque
Romo Paillés y Guzmán

Tier 4

Baker & McKenzie
Bello Gallardo Bonequi y García
Forastieri Abogados
Jones Day

Project finance

Recommended firms

Tier 1

Galicia Abogados
Ritch Mueller

Tier 2

Creel García-Cuellar Aiza y Enríquez
Jáuregui Navarrete y Nader
López Velarde Heftye y Soria
Mijares Angoitia Cortés y Fuentes
Santamarina y Steta
White & Case

Tier 3

Kuri Breña Sánchez Ugarte y Aznar
Martínez Algaba de Haro Curiel y
Galván-Duque

While countries across the globe were debating austerity packages and government bailouts, Mexican authorities chose a path of reform for the country's capital markets to kick-start the nation's flagging economy. The sweeping changes amount to no less than a revolution in how money flows through Mexico's investment channels.

One improvement involves unleashing the investment power of the nation's pension funds, or *Afores*, into previously restricted avenues. In 2009 financial regulators modified the investment regime of the *Siefores* - investment funds operated by the *Afores*. The new policy allows *Siefores* to invest in private com-

panies directly over the stock exchange and eases risk management guidelines, giving *Siefores* greater control over their exposure in volatile market conditions.

But the most notable outcome of the modifications is the new quasi-equity instrument called *certificados de capital de desarrollo* - also known as capital development certificates or CKDs for short. Barely a year old, the CKD market is buzzing with new investment vehicles, with \$1 billion invested by the *Siefores* in 2009 and the pledge to spend as much as \$8 billion on development certificates total.

The earliest CKDs authorised by the government have not ventured far from the traditional pension investment areas, and involve short-term residential, industrial and infrastructure development projects. But commentators hold there is a limit to the appetite *Siefores* have for these investments, and say that in the ensuing gold rush it is best to get into the action early. "Without a doubt the big wave is this one - the interest is here and the rules of the game have been written," says one leading lawyer.

Though created in 2006, Mexico's nascent Sapi market is just now beginning to see activity, thanks in part to the recent creation of the *negocios extrabursátiles*, a sort of online small business trading forum. Financial lawyers say the return of venture capital to Mexico is fuelling greater volumes in the risky but potentially lucrative Sapi index.

Perhaps the first sign of Mexico's recovery was an uptick in IPOs that came early in 2010, including brokerage house Actinver and super-market chain Chedauri. Though activity flagged with renewed fears in Europe and news of gang violence in the north, commentators predict sales to resume with the help from Mexico's pension funds.

Creel García-Cuellar Aiza y Enríquez

Both competitors and clients alike consider partner Carlos Aiza the most talented professional at Creel García. "Carlos is the best lawyer I can get my hands on in that company," says one client, adding, "He's been working on providing insight on some very complex investment vehicles we're developing."

Creel's position on the forefront of capital markets transactions was affirmed at the end of 2009 through its participation in two of the first issuances of CKDs on the Mexican stock exchange. Aiza and associate Carlos Zamarrón advised Credit Suisse as underwriters for Macquarie's first placement of securities linked to various proposed infrastructure projects, with over half of the initial \$446 million invested coming from seven Mexican pension funds.

Simultaneously, Credit Suisse, with the Creel lawyers advising, sponsored private-equity fund Wamex in the issuance of CKDs linked to investments in small to medium-sized businesses.

Rivals contend the firm's reputation in project finance extends mostly to the energy sector, in oil and gas as well as renewable resource projects, and is boosted by the presence of partner Santiago Sepúlveda. "I think he has a strong practice and is a good technical lawyer," says one peer.

Recently, Sepúlveda's team advised a consortium involving Mitsui, Samsung and Korea Gas in its winning bid to develop and operate an \$875 million liquid gas terminal in Manzanillo.

Representing Spanish power Abengoa's local subsidiary, the firm crafted a \$633 million agreement with Pemex to develop Mexico's largest cogeneration plant near Villahermosa. The deal includes a 20-year concession, and marks the first of many plants Pemex hopes to build, furthering its self-sufficiency in power requirements.

Leading lawyers

Carlos Aiza H
Jean Michel Enríquez D
Santiago Sepúlveda Y
Pedro Velasco P

Galicia Abogados

The fact that a firm can suffer the loss of a founding partner and maintain its leading position speaks volumes to Galicia's reputation in the market. Although last year's departure of Rafael Robles Míajá from the firm hit the firm's manpower and client base through the loss of Carlos Slim's business, one rival states: "I think the firm is very sound."

One area where the firm shows its strength is project finance, where commentators note partner Carlos de Maria has a solid reputation for energy transactions, particularly oil and gas. The distinction made him a logical choice to represent a syndicate of banks in financing an energy cogeneration project for Pemex. De Maria's team advised the Santander-led debt offer that raised \$460 million toward the total cost of the 300MW gas-fired plant, which will supply power to three Pemex operations.

The firm's energy finance specialist also recently helped Spanish renewables groups Preneal and Gamesa negotiate power purchase agreements to operate wind farms in outlying states of Mexico.

While partner Manuel Galicia remains the firm's reference in the banking market, competitors mention several members of the second line who may see greater exposure with the removal of Robles from the name plate. One

peer considers partners Arturo Perdomo and José Visoso “easy to work with and reach agreements” on financing deals.

Visoso has kept busy throughout 2009 and last year as outside counsel for the local issuances of Pemex’s \$3 billion global debt programme. The Mexican oil monopoly went to the local market with Galicia four times from early 2009 to February of last year.

Leading lawyers

Manuel Galicia
Carlos de Maria y Campos
José Visoso

Jáuregui Navarrete y Nader

JNN ascends to the leading list of banking and finance practices in Mexico based on the proven credentials of its lawyers in the market’s most sophisticated avenues of investment to date. While competitors caution the firm’s top-down structure is stifling to young talent, none challenge the firm’s success and qualification in the financial market.

Peers consider partner Michell Nader a “very visible and well-respected practitioner” in banking and financial matters. “He carries the weight of that firm,” says one competitor. Clients as well call Nader a “capable person and professional” in corporate finance. “He’s very keen on finding middle ground,” says one bank counsel.

Long-time client Prudential Real Estate Investors chose Nader’s counsel for one of the first issuances of CKD’s on the Mexican market. PREI’s industrial real estate vehicle launched in November 2009 with a target initial investment of \$500 million from the pension funds, which it plans to invest in industrial buildings, infrastructure and distribution centres.

Additionally, partner Hans Goebels is advising finance company Navix in the issuance of CKDs to fund projects in the energy sector, mainly by Pemex and the electricity commission. Goebels also participated in a recent IPO in the Mexican market, advising capital market underwriters Bulltack in sponsoring sustainable forestry group Proteak in the public sale of \$62 million worth of shares last June.

While Nader doubles as the firm’s reference in project finance, clients note that the field work is carried out by partner Javier Arreola. “He has vast experience in project finance,” remarks one client, “which is very important.”

Leading lawyers

Javier Arreola
Hans Goebels Caviedes
Yves Hayaux-du-Tilly
Michell Nader Schekaiban

Mijares Angoitia Cortés y Fuentes

In sentiment echoed by the firm’s clients, one competitor describes the partners of Mijares as “extremely professional and very thorough in their work.” Market feedback holds the firm was quiet through the initial activity of the CKD market, but remained active in its traditional area of restructuring and corporate finance.

In one recent exemplary deal Maldonado represented tortilla maker Gruma in the conversion of almost all its \$738 million outstanding debt - stemming from its defunct foreign derivatives - into medium- and long-term loans. The agreement includes the refinancing of its credit facilities from BBVA and Bancomext.

Competitors remark partner José Raz-Guzman “maintains a solid client base” of Mexican banks with a well recognised background in mortgage securitisations and the negotiation of bridge loans. Raz-Guzman’s ability to structure sophisticated finance instruments leads one client to remark, “Any doubt or new product we have he knows how to implement the solution or develop that product.”

The firm saw some activity in the burgeoning *Sofomes* market with Vehículos Líquidos Financieros, a financial institution geared toward small and medium enterprise. In December 2009 partner Manuel Echegave represented Velifin in accessing a \$25 million loan from Opic to expand its lending capabilities.

Competitors note the firm is active in traditional project financing deals through partner Horacio de Uriarte, who recently represented a syndicate of banks in financing phase II and III of the Circuito Exterior Mexiquense highway project, under development by Spanish builder OHL.

Leading lawyers

Manuel Echave Pintado
Ricardo Maldonado Yañez
José Raz-Guzman
Horacio M de Uriarte Flores

Ritch Mueller

Known as “pioneers” of Mexico’s capital markets by rivals, the partners of Ritch Mueller share a traditional reputation in debt issuances that peers say keeps the firm very active these days. One banking client notes the firm’s proficiency in structuring loans to corporate clients, saying, “We use them extensively.”

One rival names managing partner Thomas Mueller as “an expert in infrastructure and project finance” as well as an adept firm leader. “He has combined his legal skills with his administration and business skills, and has

done very well on that front,” explains the commentator.

Mueller’s reputation in made him the optimum choice of counsellor in 2009 when Australian financial group Macquarie launched the first infrastructure fund authorised to issue CKDs on the Mexican market. The trust - created to invest in projects including toll roads, energy and waste treatment projects - garnered an initial contribution of \$269 from Mexico’s pension funds.

Recently partner Luis Nicolau acted as transaction counsel for Cemex and the underwriters of its \$1.9 billion global equity offering, part of the Mexican cement maker’s restructuring that saw the sale of its Australian assets to Swiss rival Holcim.

Market feedback contends that the firm leads the market in project finance involving water resources, as they are advising the state of Tamaulipas in devising a bid to construct and operate a 163 mile-long aqueduct from the Río Bravo to the city of Matamoros, additionally, the firm is counsel to both borrowers and lenders on several large-scale wind farm projects.

Leading lawyers

Thomas Mueller-Gastell
Luis A Nicolau
Carlos F Obregón Raja
Guillermo Pérez Santiago

White & Case

White & Case recently saw a number of departures at all professional levels and across their offices in Mexico City and Monterrey, culminating in the exit of Thomas Heather to start a competing practice with his children. While noting the familiar reasons for leaving, some competitors testify Heather was also dissatisfied by White & Case’s corporate model, and some say the firm was unhappy with his inability to generate foreign referrals.

All commentators agree the loss of this senior statesman dealt a blow to the firm’s reputation as well as its client base. “A lot of the work Thomas does is very personal - arbitrations and coordinating lenders and creditors,” explains one peer, adding, “He will keep those clients.”

Still, rivals maintain the core talent of the firm’s financial practice is sound with the remaining partners. One peer notes partner Juan Antonio Martin “does a lot of work especially in direct issuances” on the capital market. Competitors and clients alike praise partner Manuel Groenewold as a young but experienced financial lawyer.

Partner Vicente Corta remains a market reference for both clients and counterparts of the firm. “He’s fantastic whenever its government

related - a great lobbyist as well as a lawyer," one client notes.

Market feedback holds the firm is one of the firms finding early success in the CKD sector, and is representing the Mexico City government as it chooses a developer to construct the metro subway system.

Leading lawyers

Vicente Corta
Manuel Groenewold
Juan Antonio Martin

Kuri Breña Sánchez Ugarte y Aznar

Not all the deals can be billion-dollar ones, and commentators note Kuri Breña's prowess among middle-market clients. While admitting the firm maintains relationships with several "major banking institutions" that bring them finance work, rivals say its more important work lies in the capital markets and straight debt issuances.

In 2009 the firm captured associates Alfredo Gómez and René Arce from White & Case and promoted them to lead the firm's new office in the industrial centre of Monterrey. "I praise them for being able to tap that market," remarks one peer, "and for working with Cemex, which isn't easy." The office showed immediate activity when Gómez and Arce advised Cemex in a securitisation that raised \$170 million and an exchange offer that converted an additional \$325 million in debt.

The Gómez-Arce team also acted for Banorte in structuring several credit lines to the Mexican states of Tamaulipas and Nuevo Leon. The three loans, totalling more than \$800 million, were secured by tax futures and mark Banorte as one of the few private banks still lending to states and municipalities after the credit crisis.

Leading lawyers

René Arce Lozano
Alfredo Gómez Pérez
Daniel Kuri Breña

Santamarina y Steta

With a longstanding presence in Mexico's transactional market, the present generation of partners earns credit from rivals for helping maintain the firm's name and reputation. The firm's traditional presence in the local debt issuances, coupled with its growing relationships with foreign lenders like Bank of America, helped it rise to the second tier of this year's banking and finance rankings.

Owing to the firm's traditional role among national corporates, the firm sees a lot of activity in local issuances of debt. Recent eurobond

experience includes paper maker Grupo Papelero Scribe's \$300 million bond that repaid all the company's bank debt, and home builder Geo's \$250 million issuance used to finance its short-term debt.

But recent experience saw the firm involved in sophisticated cross-border financings on behalf of lenders as well. Last March partner Sergio Chagoya advised Export Development Canada in extending a secured credit line to Industrial Perforadora Campeche, giving the drilling company the capitalisation needed to continue as contractor to Pemex.

Partner Juan Carlos Machorro earns recognition in the financial community as the leader of Santamarina's project finance practice, and clients particularly note his experience in airport development. Recently, Machorro helped structure a public tender for Mexican state development bank Banobras to build and operate an airport in Quintana Roo on the Mexican Riviera.

Leading lawyers

Jorge Barrero S
Sergio Chagoya D
Juan Carlos Machorro G
Juan Pablo Rosas
Alberto Saavedra O

Other ranked firms

The Mexican office of **Baker & McKenzie** is considered by rivals an opportunistic player in the financial markets. "They are present when they receive a referral from back north," says one peer. Market feedback holds the firm has been looking to make lateral hires to grow its practice in finance.

Recent opportunities brought finance work from Macquarie Bank, which partner Renato Martínez-Quezada advised in bankrolling SilverCrest's Santa Elena silver and gold mine. The \$12.5 million secured loan allowed the open pit mine to begin operations last May.

Leading lawyers: Alejandro J Sepúlveda de la Fuente

Celebrating ten years in practice this year, **Bello Gallardo Bonequi y García** debuts in the rankings through proven prowess in Mexico's active Sofom market. The firm is quickly carving a niche with microfinance institutions, NGOs and private-equity startups with highly proactive legal needs. "Unlike some of the other firms, we've found they are the right size to give you a more personalized service," says one client.

Despite their markedly low profile in the legal market, partners Miguel Gallardo and Roberto García are gaining some important financial clients such as Bank of Tokyo-Mitsubishi and the International Finance

Corporation. IFC chose García last year to advise several small-scale loans to Fincomun, a rare deposit-taking microbank, and Leasing Operations de Mexico, a supplier of low-impact construction equipment for sustainable development. The loans

Leading lawyers: Miguel Gallardo Guerra and Roberto García Pantoja.

Gonzalez Calvillo faces an upstream battle entering the upper echelons of Mexico's capital markets law firms, but competitors admit the firm's efforts are paying off. "I believe their exposure in the market is growing," says one peer, adding, "they are good at getting to the clients and getting new clients." Market feedback holds Enrique Gonzalez to be the firm's rainmaker, assisted by a crop of talented young attorneys edging their way into the market deal by deal.

Peers mention partner Juan Manuel Sancho as the visible face of the firm's financial practice, and note his experience with Sidley Austin in New York as an asset to the firm's international credentials. "He is one of those lawyers that is nice to work with," says one rival.

Recent capital market work came from Nissan Renault in a local bond placement that raised \$170 million for the car company's financing arm in Mexico. Partner José Victor Torres also advised BBVA Bancomer as bookrunner for the issuance, the fifth in a \$1 billion pledged programme. Torres also advised Wells Fargo locally in a \$500 million syndicated loan to Belgian plastics distributor Ravago, used to refinance the company's previous bank debt.

Leading lawyers: Juan Manuel Sancho Rodrigo and José Victor Torres Gómez.

Barely a year old, competitors say **Jones Day** benefits from the established reputation of its partners. As one rival says, "What has been beneficial out of that relationship is the potential of Jones day to service clients in Mexico." Managing partner Fernando de Ovando earns particular praise among peers for his understanding of capital markets transactions.

One client considers partner Silvia Malagón "one of the most knowledgeable lawyers in terms of asset management and fund work" in Mexico. While recommending the firm for day-to-day corporate advice, the client cautions, "When it comes to developing novel structures they are not very innovative." *Leading lawyers:* Silvia Malagón and Fernando de Ovando

The project finance specialists at **López Velarde, Heftye y Soria** has expanded beyond its traditional background in the hydrocarbons industry, according to its counterparts. "They've increased the scope of their practice to include more financing," says one peer.

Still, clients maintain the longstanding reputation of partner Rogelio López-Velarde in fossil energy initiatives makes him the natural choice for transactions in this area. "I think he has the longest experience working in oil and gas, so he has the best knowledge and contacts," says one client.

Market feedback holds the firm remains active with Pemex in crafting concessions for contractors and lobbying the government regarding energy law developments.

Leading lawyers: Rogelio López Velarde

Other notable firms

Work with medium-scale foreign corporates gives **Basham Ringe y Correa** some experience on the borrower's side of credit deals, but the firm recently saw some sophisticated capital markets transactions with asset manager Wisdom Tree. Partner Miguel Peralta advised Wisdom Tree in cross-listing nine exchange-traded funds on the BMV, signalling an important expansion of Mexico's ETF market. *Leading lawyers:* Miguel Ángel Peralta Peralta García

The three-lawyer firm of **Berdeja Abogados** is considered the sole practice of Teófilo Berdeja, a senior statesman in the banking world. While noting Berdeja's historic relationship with HSBC, competitors hold the firm has not been active in the bank's most relevant recent transactions. Still, the firm lately advised fund managers Morgan Stanley and Bain Capital on their Mexican investment portfolios.

Leading lawyers: Teófilo Berdeja

While known for its corporate services, **Goodrich Riquelme y Asociados** has found recent bank lending experience with the State Bank of India, which increased lending globally as other banks withdrew during the economic crisis. In 2009 Partner Eugenia González-Rivas advised SBI in a series of loans totalling \$43 million to plastics producer Flex America, to finance the construction of a new manufacturing plant.

Partner Jorge Sánchez-Dávila found recent work in the project finance area representing Huawei Technologies, a China-based provider of telecom development technology. Last year Dávila counselled Huawei financing Iusacell PCS's purchase of GSM equipment for \$95 million. The complex scheme involved a lease agreement with Arrendadora Internacional Azteca, the leasing arm of Iusacell parent company Grupo Salinas.

Leading lawyers: Jorge A Sánchez-Dávila

Mergers and acquisitions

Recommended firms

Tier 1

Creel García-Cuéllar Aiza y Enríquez
Galicia Abogados
Mijares Angoitia Cortés y Fuentes
White & Case

Tier 2

Jáuregui Navarrete y Nader
Kuri Breña Sánchez Ugarte y Aznar
Ritch Mueller
Santamarina y Steta

Tier 3

Basham Ringe y Correa
González Calvillo

Tier 4

Baker & McKenzie
Forastieri Abogados
Goodrich Riquelme y Asociados
Holland & Knight - Gallástegui y Lozano
Von Wobeser y Sierra

While foreign news sources tend to focus on the salacious details of Mexico's intensifying show-down with its powerful drug cartels, a less told story is the powerful market rising from the ashes of the global economic crisis. But sources in the legal community say it's the supporting a cast of small and medium-sized players that's fuelling the country's economic recovery.

Mexico's middle markets have seen the fastest return of activity as the world emerges from recession, empowered by recent changes to the country's laws governing capital markets and corporate structures.

In fact, the Mexican government put in place many reforms prior to the downturn, such as creating the Sapi and Sofom corporate structures, but needed the floodgates of venture capital to inject some essential liquidity. With the return of private equity, the country's leading corporate counsels confirm a mounting wave of consolidation in both young markets.

In particular, the Sofom market experienced a brief but brilliant boom in its first two years, with more than one thousand of the non-bank credit institutions licensed to lend in Mexico by the end of 2008. But the banking crisis became the crucible in which the fledgling lenders met a trial by fire and, as one attorney points out, "Most of the ones that were not managed well internally are not working anymore." Commentators say the survivors continue to consolidate, albeit on more strategic lines.

The control afforded to minority shareholders make Sapis an attractive investment target for venture capital funds, and disclosure requirements add a level of security for newly

wary investors. Corporate lawyers report the equity-only market is attracting a high level of interest translating into sophisticated projects in just about any area of business imaginable.

While market feedback holds the M&A market is by no means at the levels prior to 2008, commentators report a definite upswing on deals in several particular sectors of the economy. Some areas, like retail electronics and food production, are rising with the tide of Mexico's domestic recovery directly through consumer spending. Other areas of activity - namely the financial and automotive industries - are experiencing movement due largely to restructurings and bailout programs abroad.

Creel García-Cuéllar Aiza y Enríquez

In confirmation of Creel's leadership in Mexico's M&A market, one competitor states: "They deserve that place - they pretty much see everything." Each of the name partners maintains an active profile in the transactional market, but speaking of Carlos Creel one rival says, "Comparing him to the other three, he is a bit low-profile but I like him."

Recent experience displays Creel's ability to adapt sophisticated foreign concepts to Mexico's legal structure. One such example involved the 2009 acquisition of carbon credit trader OneCarbon by Orbeo, a joint venture between Société Générale and emissions reduction sponsors Rhodia. Carlos Creel advised OneCarbon locally in the takeover, a unique transaction requiring novel interpretations of existing laws and various specialised practices.

Partner Jean Michel Enríquez holds a particular reputation among rivals for leading M&A deals in the financial sector. In one relevant recent transaction Enríquez represented Mexican microfinance company Financiera Independencia in the acquisition of outstanding shares for rival Financiera Finsol and its affiliates in Brazil and Argentina. The complex cross-border transaction, with a purchase price of \$41 million, involved over 20 sellers and included both regulated and unregulated industries.

In the high-tech sector Enríquez is advising Echostar Communications in an on-again, off-again deal to purchase cash-strapped Mexican satellite operator Satmex. Most recently, Echostar's \$374 million bid met opposition from some holders of Satmex's estimated \$425 million debt.

Leading lawyers

Carlos Creel C
Carlos del Río S
Jean Michel Enríquez D

Galicia Abogados

When Rafael Robles Mijaja left the firm last year to start a solo practice, it made him the third of the firm's original four partners to depart. But as one rival notes, "Galicia keeps most of the partners and associates and most of the clients as well." Additionally, commentators point out the Galicia firm keeps the infrastructure in place to keep deals moving.

Managing partner Manuel Galicia remains a reference in the corporate market for clients, and competitors consider him "a very reliable guy". Rivals note a talented line of young partners operating quietly but effectively behind the firm name. "You can deal with them," one peer notes, adding, "they are very knowledgeable, very professional."

Still, market feedback holds the firm suffers from the loss of Carlos Slim as Robles's premier client. "Galicia will have to work very hard to maintain the presence of a leading firm," notes one peer. Despite the loss of Slim's media conglomerate Televisa from Galicia's client roster, the firm found recent work with lesser cable mogul Ernesto Tinajero, who last June sold a controlling stake in Cablecom to cable services fund Fintech for \$265 million.

In 2009 partner José Visoso represented Grupo Cuestamoras, a minority shareholder of Wal-Mart's Central American operations, in the sale of its stake to Walmex for \$110 million.

The firm's recognition in projects crosses over to the corporate transactions practice. Last April Galicia helped Noble Group acquire a 25% stake in Terminales Portuarias del Pacífico, a multi-commodity port project under construction on the west coast of Mexico.

Leading lawyers

Manuel Galicia R
Ignacio Pesquiera T
José Visoso L

Mijares Angoitia Cortés y Fuentes

In a year of shake-ups among the top-tier Mexican firms, peers note "nothing disruptive" has taken place within the partnership of Mijares. "Those guys seem to like their particular model," one peer says.

Satisfaction extends to the firm's client base. "We're really happy with his service," is what one client says of partner Ricardo Maldonado, explaining: "He's very smart and technical on corporate matters, and gets really involved when you ask him to."

While rivals consider the firm more active in financial matters, none dispute the talent of the firm's M&A practice. One competitor calls Mijares "A leading player" in the corporate transaction market, adding, "They continue to focus on core clients."

One core client of the firm is Televisa, currently fighting for a piece of Mexico's media and communications market historically dominated by Telmex. Last February Maldonado's team helped the broadcaster acquire a 30% stake in Nextel's local subsidiary for \$1.44 billion. Additionally, the agreement that the firm helped craft allows Televisa to participate jointly with Nextel in bids for some of Mexico's wireless spectrum, and permits an additional 7.5% purchase of Nextel's shares in the next four years.

The firm recently participated in the most important transaction for Bolsa Mexicana de Valores since it went public in 2008. Representing US futures trader CME Group, partners Francisco Fuentes Ostos and Patricio Trad Cepeda negotiated a joint venture agreement through the acquisition of a \$17 million stake in the Mexican stock exchange operator. Through the agreement, CME becomes the exclusive derivatives exchange service provider for BMV outside Latin America.

Leading lawyers

Francisco Fuentes Ostos
Pablo Mijares Ortega
Ricardo Maldonado Yañez

White & Case

Commentators say the recent departure of Tomas Heather to start an independent practice exposes a dissatisfaction of the local White & Case partners with the corporate model, but predict the loss will not harm the firm's practical work in the M&A field. Still, one rival explains, "It's going to affect them a little bit - Thomas has been active in that area through his restructuring work."

Market feedback describes the firm's M&A team as "highly recognized attorneys" with an ability to reach agreeable terms in quick order. One rival says partner Iker Arriola Peñalosa is "particularly fast and very nice to work with." Of counsel Alberto Sepúlveda de la Fuente earns note as an active senior statesman in the corporate legal market.

Sepúlveda received an important recent mandate from Walmex to represent the firm's acquisition of Wal-Mart's Central American operations from its parent company and a group of minority shareholders. The cash and share deal totalled more than \$700 million.

Leading lawyers

Iker Arriola Peñalosa
Alberto Sepúlveda de la Fuente

Jáuregui Navarrete y Nader

Competitors say JNN's banking clients are also the firm's main source of M&A work, which recent experience supports.

While best known for financing deals, partner Hans Goebels recently counselled an acquisition for Spanish bank Caja de Ahorros del Mediterráneo and its securities trader GI Cartera. In 2009 CAM bought Crédito Inmobiliario for \$213 million, making the low interest mortgage underwriter the best capitalised real estate non-bank in Mexico.

The firm broke new legal ground to facilitate the divestment of Prudential's Mexican fund business, including a bank and portfolio manager, to rival Actinver. Because there was no precedent in Mexican regulatory law allowing for the transfer of a financial group's authority, partners of JNN successfully argued before the banking commission for the institutions to voluntarily deregulate. The negotiated deregulation allows Actinver to re-incorporate the bank and fund under a new financial holding company.

Rivals say the recent addition of sole practitioner Eduardo Martínez to the roster adds a market reference for the firm's corporate practice. "He's a good lawyer, so he will be useful," says one peer.

The bailout of the US automotive industry caused a reshuffling of subsidiaries, from parts manufacturers to dealerships and the lenders that help move cars off the lot. Last June the partners of JNN represented automaker Chrysler in the sale of its Mexican financial services to Banco Inbursa for \$630 million.

Last July, JNN became Mexico's first firm to open a representative office in London, a move that draws it closer to clients across the pond.

Leading lawyers

Julián Garza Castañeda
Miguel Jáuregui Rojas
Eduardo Martínez Rodríguez

Kuri Breña Sánchez Ugarte y Aznar

The partners of Kuri Breña earn high praise among colleagues for bringing top-tier talent to the mid-sized corporate market. "The partners are particularly good," remarks one peer, "but we see them in some smaller deals."

One client particularly appreciates the "pragmatic" counsel of partner Guillermo Garay Espinoza. "A lot of lawyers I work with answer your questions but don't help you solve the problems," the client says, "Guillermo's very different in that regard." Last April Garay represented the Sapi of machinery manufacturer Cipsa Industrias when Japanese trading house Itochu bought a 20% stake.

The firm has found recent activity in the sale of assets for distressed companies. In one example last March the firm helped cash-strapped packaging manufacturer Papel Cartón y Derivados sell out to rival Grupo Gondi for

an undisclosed amount. Additionally, partner Luis Octavio Núñez advised Texas Pacific Group in the restructuring of its Mexican manufacturing holdings, resulting in the sale of 51% of the local entity.

Leading lawyers

Daniel Kuri Breña
Guillermo Garay Espinoza
Jesús Sánchez Ugarte

Ritch Mueller

Clients praise partner Luis Nicolau for his hands-on involvement with all their legal matters, but admit the senior lawyer could benefit from distributing his workload to some of his team. "He doesn't delegate much, and sometimes we overload him," notes one client. Another says, "He has some firm views on certain points, which can hinder the process."

Nicolau earns notice from peers as the traditional counsel for Banco Santander in Mexico. Last February he and partner Rodrigo Conesa Labastida advised Santander in the formation of a strategic alliance with Elavon, whereby the global payments provider acquires the Spanish bank's local merchant services business.

The competition holds Ritch Mueller's clients in the banking sector provide an important source of M&A work, but the firm manages to pull weight among non-financial clients like Grupo Bimbo and other regional retailers.

Partner Carlos Obregón saw recent work in the active Sapi market. Representing home builder Servicios Corporativos Javier, Obregón negotiated the sale of a 60% interest in company to several private-equity funds led by Southern Cross and Evercore.

The firm represented several minority shareholders in Wal-Mart's Central American operations in the sale of its interests to Walmex, which share in the \$110 million cash deal. The transaction effectively shook off Wal-Mart's outside ownership throughout Central America and considerably strengthened Walmex's position in the market.

Leading lawyers

Rodrigo Conesa Labastida
Luis A Nicolau
Carlos Obregón Raja

Santamarina y Steta

Noting that several firms suffered high-profile departures in recent months, one Mexican lawyer says of Santamarina y Steta, "They have been able to maintain talent." Competitors agree the firm has found M&A activity resulting from global restructurings and workouts.

The firm continues as local counsellors for Samsonite through its ongoing insolvency proceedings. Most recently partner Jorge León-Orantes and a team of Santamarina lawyers represented the US luggage maker in a debt equity swap between current owner CVC and debt holder RBS. The agreement includes a \$175 million capitalisation by CVC, which retains a 60% ownership of Samsonite.

Additionally, the firm acted locally for General Motors when it acquired the steering mechanism wing of its supplier Delphi globally for \$3.35 billion. The transaction, involving three factories in Mexico, provides much needed liquidity for Delphi and protects GM's vital supply chain.

The firm also participated in the global divestiture of Rio Tinto's aluminium container business to US packaging company Bemis for a total of \$1.2 billion. Santamarina advised Rio Tinto Alcan on all corporate, labour, tax and anti-trust issues related to the Mexican aspects of the transaction.

Leading lawyers

Cesar G Cruz
Jorge León-Orantes B
Alberto Saavedra O

Other ranked firms

The Mexican offices of Baker & McKenzie sees its share of "cross-border, multinational large transactions" like Bemis's acquisition of Rio Tinto tin producer Alcan for \$1.2 billion globally. Competitors hold the industrial nature of Baker's international clientele mean its Monterrey office takes the lion's share of work.

Baker advised Delphi globally in the sale of its steering unit to General Motors, but local partners in three of the firm's five offices nationwide participated contributed to the considerable legal work in Mexico.

The firm recently helped US mega pawnshop Cash America buy a piece of the Sofom action. Partners Jorge González and Erik Gutiérrez represented the Mexican subsidiary's 80% take in Creazione Estitlo, the second-largest pawn chain in the country.

Leading lawyers: Andrés Ochoa-Bünsow and Jorge L Ruiz

Market feedback reports Basham Ringe y Correa tend to be "particularly active on multinational deals" and remains among the most active of Mexico's middle market firms. Partner Daniel del Río earns recognition among peers not only for his profile in real estate and corporate transactions, but for his participation in the international and local bar associations.

Recently the firm assisted US drug maker Merck locally in its \$41 billion acquisition of rival Schering-Plough, and advised in the separation of Volvo from Ford for the purpose of its eventual sale.

Leading lawyers: Daniel del Río Loaliza

Founded in 2002, Forastieri Abogados earns recent recognition through client Mexican brokerage house Actinver, which in the past year bought Prudential's fund management business and launched a \$66 million IPO. "Fairly speaking I would have loved to have one client doing that work in one year," says one competitor.

Leading lawyers: M Francisco Forastieri Muñoz

While competitors consider González Calvillo "dedicated" to the M&A market, one notes "They are an opportunistic firm." Peers say partner Enrique González has built a solid group of "knowledgeable" young attorneys who have "developed well in the past year in the corporate and environmental side."

The firm enjoyed exposure in the high-tech sector toward the end of 2009, when Iridium Satellite entered a joint venture with Spacenet Communications to develop satcom services in Mexico. González Calvillo partners helped negotiate three distribution agreements for Iridium and obtained concession rights from the Federal Telecommunications Commission.

Last June the firm participated as Mexican counsel to Banco Bradesco in the second-largest Brazilian bank's acquisition of credit card administrator IBI Mexico for \$163 million.

Leading lawyers: Leopoldo Burguete Stanek and Enrique González Calvillo

One of the oldest firms in Mexico, Goodrich Riquelme y Asociados has been reportedly absent from the market in recent years. Still, one competitor calls the Bomchil Group member "A good firm with good clientele."

Market feedback holds Goodrich "more geared to the industrial manufacturing side" of Mexico's corporate market. Late in 2009 the firm helped US oil extractor FE Services through its takeover by Canadian rival Ensign. Partner Ricardo Lan advised Foxxe Energy Services, which operates FE's six onshore drilling rigs in Mexico.

Leading lawyers: Ricardo Lan-Arredondo

Other notable firms

Described by competitors as a "general practice with good quality", Bello Gallardo Bonequi y García draws some M&A work from its small-scale financial clients, as well as multilateral organisations. Recently the

firm assisted IFC with several minority share acquisitions including a stake in Camesa, a sofipo - popular savings and loan bank - and Mexico's second-largest microfinance institution.

Leading lawyers: Roberto García-Pantoja