



May 30th, 2018

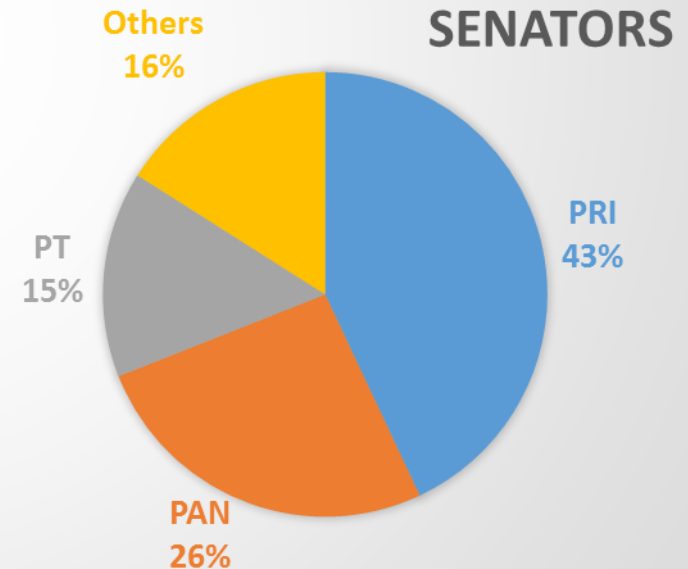
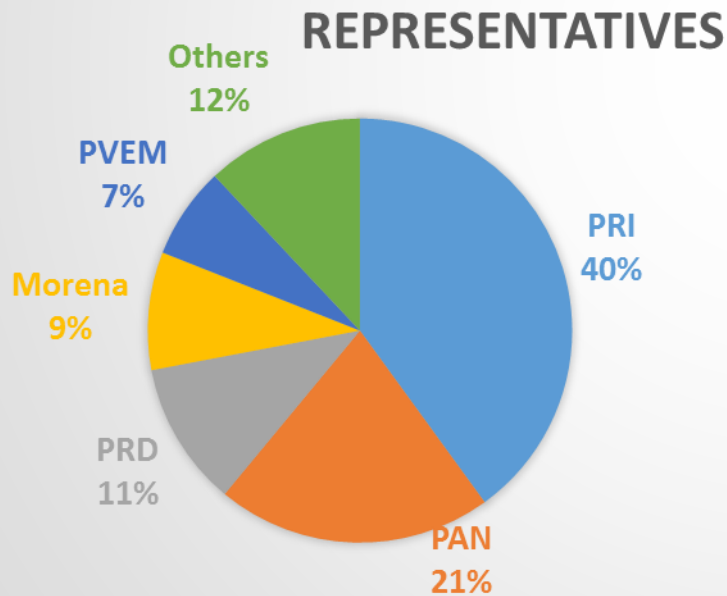
Mexico Webinar



Andrés Caro
Christopher Dillon

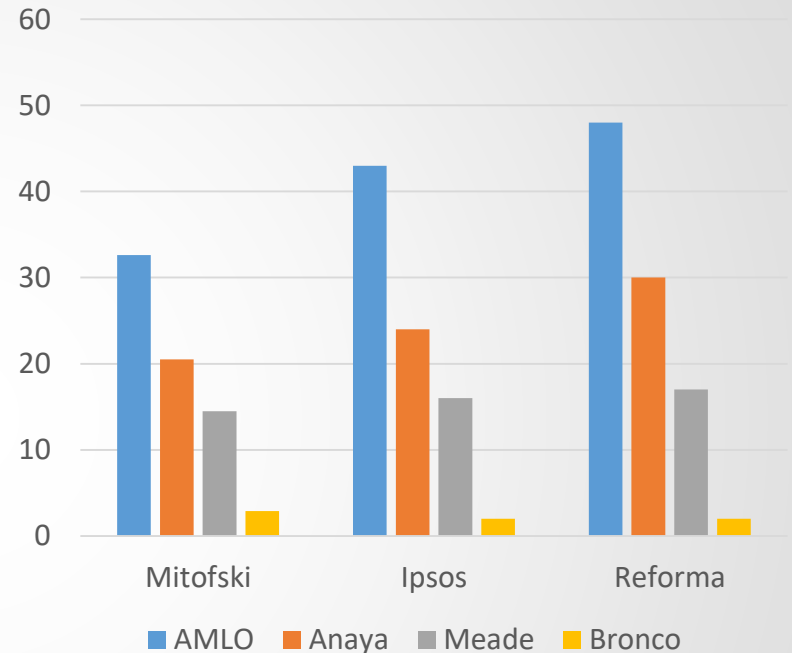
Current Political Atmosphere

- 2018 Elections:
 - Federal Elections
 - President
 - 128 Senators
 - 500 Representatives
 - State Elections
 - 9 Governors
 - More than 2,000 majors and representatives



■ Presidential Candidates and Polls

- Andrés Manuel López Obrador (AMLO): Coalition Morena-PT-PES (left)
- Ricardo Anaya Cortés: Coalition PAN-PRD-MC (right)
- José Antonio Meade Kuribreña: Coalition PRI-PVEM-PANAL (center-left)
- Jaime Rodríguez Calderón: Independent (center)



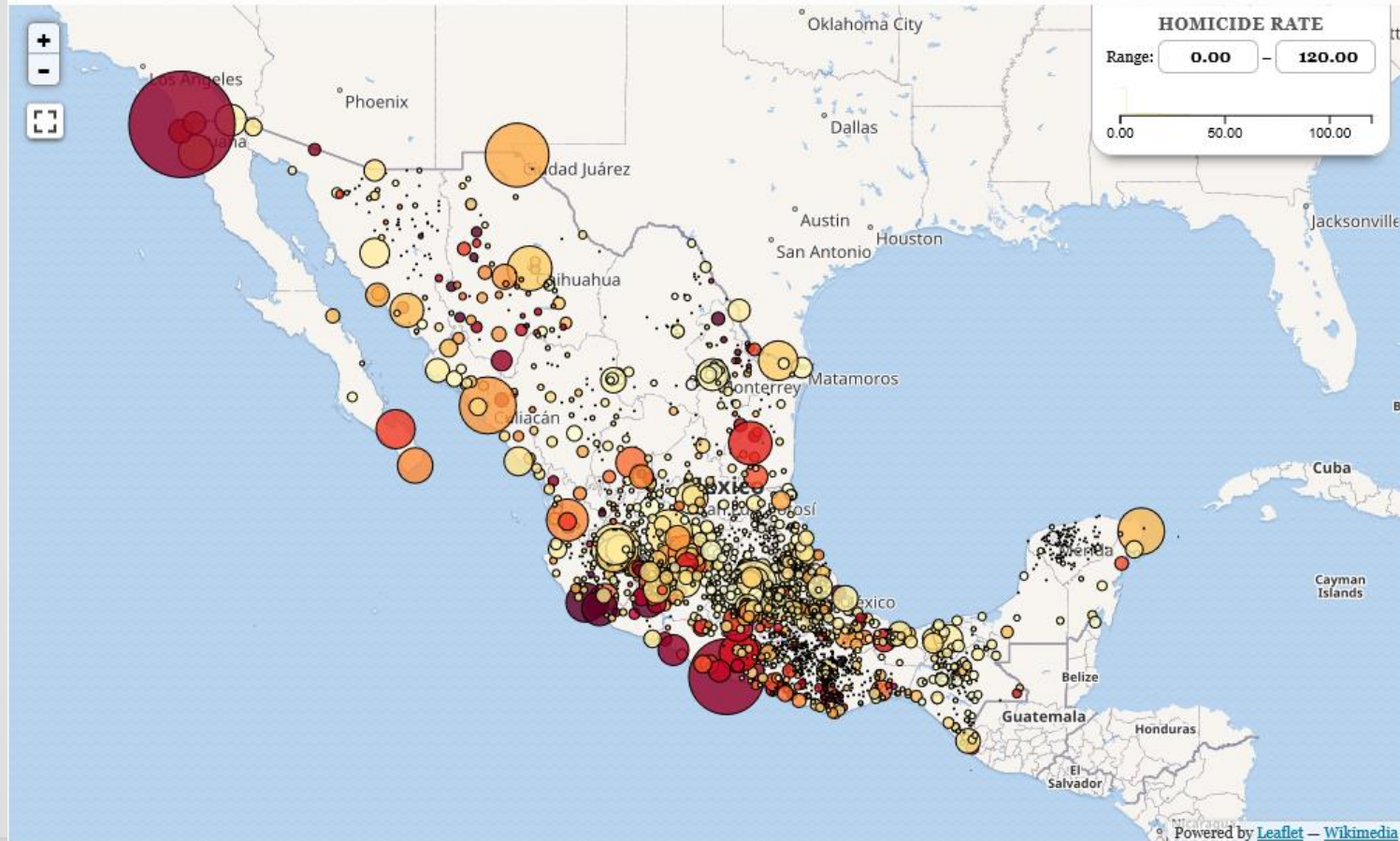
* Some polls do not account for undecided voters.

■ NAFTA Renegotiation

- The US have softened their position regarding four main aspects:
 - Rules of origin
 - Sunset clause
 - Arbitration elimination
 - Seasonal Agricultural Import Competition
- New aspects such as anticorruption, telecom, and labor and employment.

■ Rule of Law and Criminal Issues

MAP OF HOMICIDES IN MEXICO FROM NOVEMBER 2017 TO APRIL 2018



Rule of Law and Criminal Issues

2017 Mexico Peace Index results

A lower score indicates a better level of peacefulness.

MPI RANK	STATE	OVERALL SCORE	HOMICIDE	VIOLENT CRIME	WEAPONS CRIME	ORGANIZED CRIME	DETENTION WITHOUT A SENTENCE	DIFFERENCE IN OVERALL SCORE (2017-2016)
1	Yucatán	1.167	1	1.329	1	1.422	1.119	-0.079 ↑
2	Tlaxcala	1.381	1.377	1.848	1.264	1.097	1.21	-0.661 ↑
3	Campeche	1.482	1.312	1.117	1.105	1.397	4.24	-0.029 ↓
4	Coahuila	1.505	1.344	2.242	1.26	1.361	1.161	0.005 ↓
5	Chiapas	1.572	1.426	1.468	1.323	1.89	2.182	-0.01 ↑
6	Hidalgo	1.757	1.314	2.833	1.477	1.784	1.223	0.247 ↓
7	Puebla	1.882	1.825	2.382	2.065	1.506	1.318	0.21 ↓
8	Nayarit	1.974	2.322	1	2.286	1	5	0.612 ↓
9	Veracruz	1.998	2.201	1.587	2.332	1.901	1.731	0.318 ↓
10	Querétaro	2.01	1.413	4.527	1.532	1.183	1.01	0.274 ↓
11	Durango	2.043	1.576	2.902	1.579	2.116	2.5	0.069 ↓
12	Oaxaca	2.095	2.241	2.084	2.74	1.405	1.774	0.119 ↓
13	Agusscallentes	2.223	1.219	4.396	1.504	2.636	1	0.448 ↓
14	Sonora	2.23	2.294	1.89	2.545	1.661	3.586	-0.16 ↑
15	Jalisco	2.341	1.954	2.876	2.437	2.503	1.717	0.116 ↓
16	Michoacán	2.42	2.678	2.247	3.781	1.29	1.479	0.122 ↓
17	Quintana Roo	2.452	2.101	2.978	2.508	2.519	2.074	0.607 ↓
18	San Luis Potosi	2.472	1.902	3.236	2.299	3.203	1.115	0.189 ↓
19	Guanajuato	2.544	2.273	3.927	3.735	1	1.006	0.313 ↓
20	México	2.55	1.658	4.8	2.113	2.521	1.161	0.274 ↓
21	Nuevo León	2.578	1.568	2.557	2.029	5	1.435	0.025 ↓
22	Mexico City	2.693	1.629	5	3.089	2.171	1	0.151 ↓
23	Tamaulipas	2.74	2.564	2.659	2.77	3.594	1.293	0.354 ↓
24	Morelos	2.888	2.826	4.247	3.511	1.739	1.013	-0.127 ↑
25	Tabasco	2.973	1.799	4.769	2.447	4.055	1.132	0.512 ↓
26	Chihuahua	2.979	3.916	2.544	4.176	1.354	1.878	0.418 ↓
27	Sinaloa	3.051	3.775	1.981	4.759	1.977	1.697	0.251 ↓
28	Zacatecas	3.306	3.403	2.332	4.001	4.268	1.235	0.697 ↓
29	Colima	3.64	5	3.146	5	1.525	1.985	-0.26 ↑
30	Baja California	3.951	4.641	4.66	4.583	2.598	1.47	0.822 ↓
31	Guerrero	4.153	4.934	2.644	4.926	4.868	1.378	0.045 ↓
32	Baja California Sur	4.55	5	4.249	5	5	1.348	0.922 ↓
	NATIONAL	2.463	2.222	3.17	2.684	2.325	1.323	0.238 ↓

Source: IEP

■ Rule of Law and Criminal Issues

CORRUPTION PERCEPTIONS INDEX 2017

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
135	Dominican Republic	29	31	33	32	29	32	Americas
135	Honduras	29	30	31	29	26	28	Americas
135	Kyrgyzstan	29	28	28	27	24	24	Europe and Central Asia
135	Lao PDR	29	30	25	25	26	21	Asia Pacific
135	Mexico	29	30	31	35	34	34	Americas
135	Papua New Guinea	29	28	25	25	25	25	Asia Pacific
135	Paraguay	29	30	27	24	24	25	Americas
135	Russia	29	29	29	27	28	28	Europe and Central Asia

■ Civil and Commercial Procedures

- General concepts
 - Court system
 - Limitation issues
 - Pre-action behaviour
 - Starting proceedings
 - Time table
 - Case management
 - Evidence – pre-trial
 - Evidence – trial
 - Interim remedies
 - Costs



■ Civil and Commercial Procedures

- Civil procedures
 - Ordinary civil proceeding
 - Special proceedings
 - Arbitration
 - Mediation
 - Executive civil proceeding
 - Mortgage proceeding
 - Inheritance proceeding

■ Civil and Commercial Procedures

- Commercial procedures
 - Ordinary commercial proceeding
 - Special proceedings
 - Executive commercial proceeding
 - Insolvency

Types of Business Associations

Sociedad Anónima de Capital Variable (S.A. de C.V.): corporation

- Managed by board or sole administrator.
- May have different types of stock with different corporate and economic rights.
- Right of first refusal for stock increases.
- Company may not repurchase stock.
- Minority rights: 25%

Sociedad Anónima Promotora de Inversión (S.A.P.I): less stringent corporation

- Managed by board.
- Easier to set diverse types of stock.
- More flexible procedure for right of first refusal.
- Company may repurchase stock.
- Minority rights: 10%

■ Types of Business Associations

Sociedad de Responsabilidad Limitada (S. de R.L.): limited liability company

- Maximum 50 partners
- Non-publicly traded
- For increase or transfer of stock, majority of partners required.

Asociación en Participación: joint venture

- Not an entity
- In writing
- No agency

■ Forms of Security – Personal Property

- Regular commercial pledge:
 - Delivery to creditor/third party
 - Delivery to chartered warehouse
 - Pledge bond
 - Delivery of document containing a claim
- Non-possessory pledge
 - Floating lien
 - PMSI
 - Recordation
- Pledge on listed securities
 - In writing
 - Account with a securities clearance house

■ Forms of Security – Personal Property

- Mortgage
 - Recordation
 - Race-notice statute
 - Mortgage follows property
- Industrial mortgage
 - Only for authorized financial institutions
 - Comprehensive mortgage
 - Recordation

Forms of Security - Others

- Personal guarantee
 - Order of enforcement
 - Different than co-obligor
 - Waivers and remissions
- Guarantee trust
 - Settlor conveys property
 - Recordation
- Bankruptcy problems

Public Information

A. Public Registry of Property and Commerce

B. Registry of Property Colateral

C. Credit Bureau



Consejería Jurídica y de Servicios Legales
Dirección General del Registro Público de la
Propiedad y de Comercio



BURO DE CREDITO
SOCIEDAD DE INFORMACION CREDITICIA

Insolvency

- Two (three) stages of insolvency
 - The visit: determination of insolvency test
 - Of all defaulted debts, 35% are more than 30 days past due.
 - Quick assets to repay less than 80% of defaulted debts.
 - Conciliation: trying to reach a reorganization plan
 - 185 days, two 90-day extensions
 - Executory contracts
 - Ranking of creditors
 - Liquidation: maximization of recovery for creditors
 - Sale as going concern
 - Sale of business units
 - Sale of individual assets

■ Insolvency – The Stay

General rules

- Upon declaration*
- No more pre-commencement pays
- No more enforcement of liens or judgments

* Normally, requested at the outset.

Exceptions

- Essential suppliers
- Employees' payments
- DIP Financing
 - Super Priority
 - Conciliator decides
 - Can be secured

■ Insolvency - Priorities

1. Claims against the estate
 - Superpriority employment-law claims
 - DIP Financing
 - Administrative claims
2. Secured (including secured tax)
3. Other tax and labor and employment
4. Special privileges
5. Unsecured
6. Subordinated

■ Insolvency – Avoidable Transactions

- Retroactive period (270 days and up to 3 years)
- Fraudulent per se
- Constructive fraud (no rebuttal)
 - Gratuitous transactions
 - Significantly disproportionate value in consideration
 - Debt remissions
 - Pre-payments
- Objective preferences
 - Granting or increasing collateral
 - Payments in kind
- Subjective preferences

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www.galicia.com.mx

Torre del Bosque Blvd. Manuel Ávila Camacho #24 - 7th floor • Lomas de Chapultepec • Mexico City • CP 11000
PH: +52 (55) 5540 9200

Av. Ricardo Margáin • No. 440 - 9th floor • Office 901
Valle del Campestre • CP 66265 • San Pedro Garza García • N.L. PH:+52 (81) 9689 9030