

Route to Mexico



Bolsa Mexicana de Valores
www.bmv.com.mx



Invest in Mexico
www.investinmexico.com.mx



The Latin American Venture
 Capital Association
www.lavca.org

Mexico, along with Chile and Brazil, lead the annual ranking published by the Latin American Venture Capital Association, achieving top scores in the region on regulation and ease of investment for private equity (PE) and venture capital (VC) investors.

The 2011 LAVCA Scorecard is the sixth edition of the report and reflects progress in major Latin American economies towards regulation that will incentivize PE and VC investment.

"As Latin America continues to attract international investors, the 2011 LAVCA Scorecard reflects the healthy state of the PE/VC industry in the region. However, it also sends a word of caution to some of the countries that have been performing well," said Susana García-Robles, Lead Investment Officer - Early Stage Financing Group at the Multilateral

Investment Fund and member of the LAVCA Public Policy and Global Standards Committee.

The annual Scorecard ranks 12 countries based on indicators including taxation, minority shareholder rights, restrictions on institutional investors and capital markets development.

"The Scorecard measures the most critical factors for the development of PE/VC in Latin America. It is a valuable tool for investors and policymakers to encourage progress in the regulatory environment in their respective countries," said Eduardo Elejalde, Founding Partner, Latin America Enterprise Fund Managers and Chairman of LAVCA.

Global investors continue to make Latin American private equity a part of their global strategies. The region captured a historic \$8.1 billion in fundraising in 2010, according to 2011 LAVCA Industry Data, and since January global firms including 3i, HarbourVest, Partners Group and Sigular Gulf have announced new office locations in the region.

Mexico's scores remain unchanged after an increase in the 2010 Scorecard. Overall, the regulatory environment continues to improve and the industry is now seeing the impact of the 2009 CKD regulation, which allowed the state pension funds to gain access to local private equity funds. While the FICAP fund structure is still sub-par, more of these structures have been established as fund managers seek to raise capital from local pension funds. Efforts at the Mexican Stock Exchange (BMV), along with broader base market recovery, resulted in an increased number of IPOs in 2010.

Strengths: Mexico is on par with regional leaders in its tax treatment, corporate governance requirements, protection of minority shareholder rights and restrictions on local institutional investors.

Challenges: The industry faces obstacles including a weak framework for fund activity, with larger funds setting up offshore.

In addition, bankruptcy procedures and the judicial system remain inefficient. The country also continues to struggle with perceptions of corruption and concerns about ongoing drug trade.

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Bufete Holguin y Abogados S.C., founded in 1976, provides legal advice of the highest quality to its clients. The firm is committed to providing personalised legal services with a tradition of excellence, inspired by the highest ethical standards, ensuring as a main goal the reliance granted by its clients. The firm also stands out in representing important financial institutions and corporations, in the disputes arising from credit agreements, collection and collection restructures, by participating in the recovery processes and conflict resolutions.

According to Antonio Holguin Acosta, the image of Mexico's actual business environment has been affected by the high levels of insecurity and drug trade that are currently taking place.

"Nevertheless most foreign investors are aware of Mexico's potential, which explains the reason why rather than migrating to other Latin-American countries, they decide to keep on investing in Mexico, operating in most of its territory," said Mr Holguin. "Obviously it has been important for them to adapt

to the new challenges this scene represents, but Mexico still represents an excellent opportunity to start a business."

Nowadays Mexico is working hard to provide security and legal protection to its foreign investors through the Agreements for the Promotion and Reciprocal Protection for Investments, which has signed with 20 countries, as an effort to promote transparency and law enforcement, resulting in a stable environment for business and investment, Mr Holguin added.

Daniela Sánchez Rello explained that starting a company in Mexico and listing on the Bolsa Mexicana de Valores has very important benefits. She noted that the country has gone through an important development in the last 20 years, turning it into a very attractive place to invest, and that there is considerable demand for different services.

"Mexico represents a wide variety of possibilities for investors who are looking for an opportunity to safely invest their money in," said Ms Sánchez. "Also the phenomenon of globalisation has generated an increased mobility of the capital, and an important interdependence of the markets, which has positively affected the banking system and stock market in our country."

In 2011, there was a significant change in the Mexican judicial system, as the Supreme Court determined that local courts shall not limit to apply only the local laws but are also enforced to apply the Constitution, treaties or international conventions and the jurisprudence of the Inter-American Court of Human Rights, among others, forcing them to exercise what is known as Control of Conventionality or Control de Convencionalidad between the intern laws and supranational laws.

"As a lawyer, I am convinced that such determination will undoubtedly contribute significantly to conflict resolution over commercial matters in our country", concluded Mr Holguin.



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Vázquez Aldana, Hernández Gómez & Asociados (VAHG) operates in Mexico City and Guadalajara, Mexico, being the largest Mexican member firm in Consulegis, EEIG; servicing clients across the Mexican Territory. VAHG has consolidated more than 50 years of legal practice. VAHG is formed as a result of the prestige, experience, reputation, business approach, high ethical values and professional standards, responsiveness, accountability and trust of its Partners.

VAHG is now recognized as a leading legal firm in M&A, Contract Law, Banking and Securities Law, Real Estate Law as well as corporate transactions in general, including Notary Public and Commercial Notary Public services, within its geographic area in Mexico.

As a result of its non-stop search for high added value, VAHG is proud of having the trust of worldwide known Mexican and multinational companies as a result of the adoption of its business model.

VAHG represents an invaluable sum of prestige and reputation with strengths and capabilities to conduct international transactions, operating under the highest standards of services and quality, together with a singular personal approach, developing a unique strategic competitive factor and high appreciation of its clients.

In VAHG we value each of our members, the human and professional capabilities of our team allows us to be able to know each and every one of our clients. We develop long term relationships with our clients as a result of our quality and personal treatment.

Our mission is to be the leading firm in providing services in each of its areas of expertise to ensure legal certainty and strategic legal counsel under the highest quality standards in the transactions engaged in by our clients, working professionally in their decision making processes and preventing conflicts and resolving them only when needed, thereby facilitating the conduct of their business.

In VAHG, we know we could not achieve our goals without our clients' trust and we think believe that in having partners and associates with extensive experience, ethical values, continuous updating and attitude of service and teamwork skills we can offer unique added value to our customers.

We take the time to get to know each of our clients.

We believe that prestige is the result of the consistency of a professional practice enriched with ethical values.

Our focus on nine strategic pillars have allowed us to be seen by relevant domestic and international law firms, banks, funds, financial advisors and business consultants: high ethical values, experience and reputation; performance with high ethical and professional standards; responsiveness and accountability, local knowledge with immediate global access to other jurisdictions; trained staff and team work; personal treatment; proactive communication with client; development of long term professional relationships and state of the art technology.



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Maqueo Abogados, S.C. is a boutique dispute resolution firm incorporated in 2002. The firm's work is focused in civil and commercial litigation and some of their branches. The firm has had several recognitions, including two Corporate INTL awards.

"Our focus is on international clients in search for aggressive and honest litigators who won't get them into trouble with the FCPA, Dodd Frank or the Bribery Act," said Mr Maqueo.

Esteban Maqueo founded the firm in April 2001, having previously worked as an intern in Guerra Gonzalez y Asociados, S.C. for 5 years. Mr Maqueo studied Negotiation at the Program of Instruction for Lawyers on the Program on Negotiation at the Harvard Law School. He has been involved in several arbitrations, award enforcement, and mediation and negotiation conflict resolutions.

Mr Maqueo explained that the firm is very aggressive and only takes a few cases at a time, describing the firm's cases as "not a number but a carefully litigated case".

"We have a strict policy against bribery and we are always available to our clients," said Mr Maqueo. "They do not have to wait days to get a call back from their attorney. Our files are always available to our clients and we are always available to explain every situation to them."

Commenting on the firm's recent work, Mr Maqueo noted a debated case published by the American Associated Press last August regarding a lawyer of a Chicago based pharmaceutical company. Maqueo Abogados represents Grupo Translog in the litigation, where a lawyer representing the pharmaceutical company offered to pay Maqueo Abogado's expert witness if he would leave the country on a key court date to undermine the case, according to a recording of the conversation and sworn testimony.

According to Mr Maqueo, legal insecurity is always an obstacle in Mexico. "As always the legal insecurity is an obstacle," he commented. "There are good incentives but if the legal system continues to get more corrupt and uncertainty still reigns in the courts, there will still be fear to invest in Mexico. Labour laws are extremely partial to the workers which discourage investors to create jobs and do more business."

Mr Maqueo added that foreign investors do not have the relationships they need to prevail over Mexico's nationals in an influence traffic environment.

Another disadvantage is that the Bribery Act and the US anti corruption laws that do not necessarily apply for local businesses.

Recently, Mexico's Amparo Law and Constitution were reformed, and Mr Maqueo believes that this will substantially help to create more legal security. This is because they tend to fight abuse and human right violations, international treaty violation and simple law violations. "I can't wait until it is in effect," said Mr Maqueo.

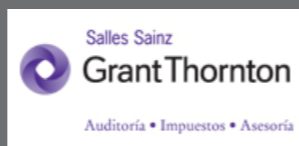
"Our focus is on international clients in search for aggressive and honest litigators who won't get them into trouble with the FCPA, Dodd Frank or the Bribery Act."

"The new jurisprudence and common interpretation of the law according to the new Constitutional and Amparo reforms will give plenty of room for attorneys to fight authorities. That will help plenty I think," he concluded.



FORENSIC ACCOUNTING

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Salles, Sainz - Grant Thornton, S.C., is one of the top five accounting firms in Mexico. In the forensics arena, the firm provides services related to the design and implementation of antifraud programs and controls, fraud risk assessments, data quality and integrity, and forensic investigation including the issuance of expert reports.

"We have a unique methodology to design and implement anti-fraud programs and controls, we also have experts that accumulate more than 25 years of experience," said José Luis Rojas, Business Risk Services managing partner. "We are frequently featured in magazines and other professional publications. We also send our personnel to the Centre For the Internal Audit at Louisiana State University, where they get training on fraud case studies every year."

Commenting on the current business environment in Mexico, Mr Rojas explained that there are security issues because of the war against organised crime, but the economy is strong.

"However, we frequently say that when the US sneezes, we get pneumonia, so I am sure the worst effects from the US economic crisis and from Europe are still to be felt in our country," added Mr Rojas. "In such an environment, fraud tends to increase exponentially."

"Notwithstanding the war against crime, Mexico still remains as a strong economy, with great advantages for foreign investors, such as tax incentives, low wages, logistics, etc."

Mr Rojas explained that the Bolsa Mexicana de Valores (BMV) currently has many investment programs that require companies to transcend to an institutional level and eventually issue a public offering.

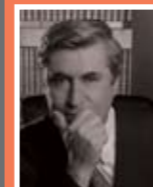
"These programs offer financing at very low rates and allow a company to support their growth projects," he commented. "In that regard, our firm has an alliance with the BMV to assist companies in getting to a successful IPO."

Mr Rojas stated that expanding operations through acquisitions or organically and investing into joint-ventures/commercial agreements are both viable options in Mexico, depending on the type of business/project.

"On the other hand, Mexico is one of the countries around the world with more trade agreements signed with other countries, so that, and the privileged geography and geographical locations make it a great place to carry our different endeavors and take advantage of taxes, logistics, costs, etc.," he added.

According to Mr Rojas, the main problems for forensic accounting in Mexico are the corruption of some levels of authorities; the lack of transparency of the legal system; and the fact that labour laws are designed to protect the employee. This makes it very difficult to pursue a conviction for fraud.

Mr Rojas concluded: "Mexico has now moved to the 'oral trial' modality; there is more stringent regulation in terms of anti-money laundering and terrorism financing; the Government is issuing internal control regulations and some other penalties and corporal punishments are being established against corrupt officials, amongst others."



REAL ESTATE

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Portilla, Ruy-Díaz y Aguilar, S.C. is a law firm with experienced gambling compliance and advisory team, comprised of US and Mexican attorneys highly experienced in gaming laws and issues in Mexico and a number of US jurisdictions.

Some of their team members are pioneers in dealing with Mexico gaming issues as well as complying with extra-territorial application of Nevada gaming regulations, going back as early as 2003. We have rapidly become the premier gaming law firm in México.

According to Carlos Portilla, after the boom period of the gambling industry in Mexico, former President Lazaro Cardenas declared gambling illegal in 1935, and as a result most casinos were forced to shut their doors. In 1947 a new gaming law was enacted, which is still in place. Ever since that time, there has been a constant debate on whether or not gambling is legal in Mexico. In 2004, new gaming regulations further clarifying the 1947 law were enacted.

Under the premises that the Casino Industry would create a tourism boom, as well as more jobs and increased revenue for Mexico's economy, former President Vicente Fox promised to replace the 1947 law with a new one that would allow operation of casinos. However, President Fox did not have the necessary support, and was unable to replace the 1947 law. He did, however, help regulate the sports book and bingo industries.

In 2009, the Secretaria de Gobernacion (Ministry of the Interior) issued a number of interpretive letters authorizing permit holders to install and operate betting terminals, machines that allow playing and betting on horses and sports competitions, machines for authorized games and bets, and particularly machines that allow electronic drawing of numbers represented by numbers, symbols, figures and colors, and which allow betting on such draws using interconnected or stand-alone terminals by means of technology and electronic support, paying prizes to the players according to the combinations of numbers, represented by symbols, figures or colors which had been selected from the options provided to the player and which are the result of the drawing of numbers from the machine according to the specific type of terminal and the amount of the bet.

Currently, there are 27 permits and 561 establishments operating under those permits in México. However, only 318 establishments are operating with legal opening notices. Accordingly, the Mexican government has started inspections and audits of several Casinos. When the casino is unable to prove that the gaming devices were legally imported into México, the tax authority is seizing the games and/or closing up the casinos, citing security reasons or that the casino does not have all the proper documents.

As of this date, two Political parties have submitted to Congress four drafts for a new Federal Gaming Law. However, none of these drafts have been discussed or approved. In the meantime the major permit holders continue to operate its casinos and paying the taxes.



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In recent years, the Mexican financial system has developed significantly. The local debt and capital markets have gained extraordinary depth, mainly driven by growth in the pension funds sector. Also, Mexican banks have played a significant role funding the economic activity.

However, Mexican companies, taking advantage of low interest rates, the relative Peso stability and an increased liquidity in foreign markets, have been able to secure cross-border financing in favorable terms.

This article focuses on the fundamental issues related to cross-border financing in Mexico.

Foreign Lenders. Foreign lenders do not require any license, registration or authorization to engage in cross-border lending transactions with Mexican residents. However, certain marketing activities may be against Mexican law.

Applicable Law. As a general proposition, Mexican courts will give effect to a choice of foreign law as the governing law of the loan documents. Collateral documents related to assets located in Mexico must be governed by Mexican law.

Judgment Currency. In the event that legal proceedings are brought in Mexico against a borrower, such borrower will be entitled to discharge its obligations by paying the equivalent in Pesos at the prevailing exchange rate.

Enforcement of Foreign Judgments. A final judgment against a borrower obtained in the relevant foreign courts would be recognized by the courts of Mexico, as long as certain requirements are satisfied. The submission to jurisdiction provisions of cross-border loan documents with Mexican borrowers should be mutual and benefit all of the parties.

Spanish Translations. Generally, loan agreements to Mexican borrowers are not required to be translated. Collateral documents can be executed in English, unless the relevant document must be filed with a public registry. In the event that legal proceedings are brought to Mexico, Spanish translations of the documents will be required (and the defendant will have the right to contest the accuracy of the translation).

Use of Pagars. It is common practice to document cross-border financings through a loan agreement and by "dual law and jurisdiction" promissory notes (pagars). Such notes would be governed by Mexican law in case enforcement procedures are initiated in Mexico. If adequately drafted, pagars grant the lenders the right to summary proceedings.

Taxation. Pursuant to Mexican law, interest payments made by residents of Mexico to foreign residents are subject to withholding taxes. Mexican borrowers are required to determine the appropriate withholding tax rate and make the payment to the Mexican tax authorities.



INTERNATIONAL TRADE & CUSTOMS

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Carrasco, García & Asociados (CGA) is a Mexican law firm engaged in providing, among various services, advisory and consulting services related to international trade and customs from a Mexican legislative perspective.

Commenting on the current business environment in Mexico, Marcos Carrasco, founding partner, noted that foreign investment is currently being caught in sectors such as automotive, auto-parts and aerospace industries, which he believes are manufacturing sectors in constant growth.

"Local governments grant important incentives to manufacturing companies," said Mr Carrasco. "Mexico offers a competitive and well-prepared task force, in particular specialised local engineers in such fields of the industry."

Mr Carrasco explained that acquiring a manufacturing company in Mexico could represent a benefit to a foreign investor, since it could continue with the operation under the programs granted by the Mexican government, such as temporary importation programs (duties payment differing programs) avoiding having to comply with all the requirements inherent to the applications.

"However, an investor must be very careful in an acquisition, to review in a due diligence the legal importation of all the assets and raw materials imported by the seller company, as well as its compliance with the Mexican legislation,"

warned Mr Carrasco.

The Mexican government has established several programs that benefit and grant exemptions in the payment of import duties and of importation value added tax, when producing exportation products; as long as the fixed assets and the raw materials used in the production are imported on a temporary basis and returned abroad.

"Importing under said programs such as the Exportation Manufacturing and Maquila Program (IMMEX) has important tax benefits that may be used in the implementation of the operation, such as the case of foreign companies entering into Manufacturing/Maquila Agreements in which they own the assets, the raw materials and the finished products, and the fact of keeping such assets and inventory in Mexican territory does not create a permanent establishment," commented Mr Carrasco.

"Definitively entering into Maquila/Manufacturing agreements with Mexican parties already established has benefits; however it is recommendable to implement audit proceedings to verify the fulfilment of the governmental programs."

"In almost all the audits we have conducted, we have found a poor administration in the compliance of temporary importation programs, sometimes because of lack of information."

The Mexican government is conducting international trade and customs audits, related to the fulfilment and compliance, in particular to IMMEX companies.

"Since the government is constantly improving and renewing its technological systems, the audits are more precise and require from the companies a better compliance and an immediate response to the authorities' requirements," concluded Mr Carrasco.



IT – DUMONT



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Dumont provides services in the information technology (IT) sector in five large branches: (i) protection of personal data; (ii) recovery of domain names through national (before NIC México) and international (before WIPO) dispute procedures; (iii) protection of intellectual property on the internet and social networks; (iv) e-commerce and electronic documents preservation; and (v) electronic signature.

Dumont offers its clients business strategies related to IT with a high level of efficiency. With over 70 years as a specialised firm in Mexico, it is one of the few firms that supports its work through quality tools such as the ISO 9001:2008 certification granted by TÜVRheinland®, thus ensuring a high quality and accountability. In addition, Dumont has implemented management and security systems that have been internationally accepted, as is the Patrix® case administration system.

With the entry into force of the new Federal Law on Protection of Personal Data held by Individuals, Dumont has focused on providing specialised audits to its customers, in order to track compliance with this international trend.

Jorge Molet, IT and copyrights manager, stated that Mexico is still a strategic country. He noted that its border of over 3000km with the United States has established it as a strengthened economy with over 100 million consumers. In terms of electronics, over 30% of the entire population carries out on-line transactions. This number increases significantly year after year.

"Mexico has several provisions related to IT," explained Mr Molet. "From the Commercial Code in the field of electronic commerce, official Mexican standards in the conversion of digital documents, laws related to advanced electronic signature, protection of intellectual property on the internet, and a new regulation on the protection of Personal Data."

Commenting on recent legislative developments, Mr Molet noted the Federal Law on the Protection of Data held by Individuals. This requires all companies in Mexico (that process personal databases) to provide with a privacy notice and a chief party office, who must know in detail how to relieve the procedures for access, rectification, cancellation and opposition submitted by the owners of the data, as well as permeate the policy of protection of Personal Data throughout the enterprise.

"Without a doubt, the law on Protection of Personal Data will have a strong regulatory impact in companies established in Mexico, since from 6th January 2011 individuals will be able to file, before the Mexican Data Protection Office (IFAI per acronym in Spanish), proceedings for infringement of rights of access, rectification, cancellation and opposition to which the holders of the data have rights."



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OSCÓS ABOGADOS

Oscós Abogados is a high-profile boutique practice that specializes in both domestic and international litigation. The firm has rich experience and technical expertise in handling insolvency, restructuring, creditor's rights, bankruptcy, arbitration and product liability within a wide variety of industries that range from banking, energy, oil, construction, industrial property, copy right, torts and financial services to telecommunications.

Oscós Abogados has been involved in major restructurings, insolvencies, litigation and arbitration cases in Mexico in the 21st century. The firm has built up a strong reputation for delivering high quality results in a discreet and timely fashion. The law firm is client results oriented.

The firm has participated in the prepackage voluntary insolvency proceedings filed in Mexico. The latest are Grupo Iusacell and Iusacell, which reorganization plan was approved by creditors and court in an express period of time. The firm is currently participating in the pre-package voluntary insolvency proceedings in Mexico of VITRO SAB de CV, which is being prosecuted at the stage of conciliation.

The firm set a milestone by successfully adjudicated the first and second case ever in the world that recognized and fully enforced another country's

insolvency proceedings under the UNCITRAL Model Law on Cross-Border Insolvency (adopted, inter alia, by USA, UK, Canada and Japan). As the Model Law (EU Insolvency Cross Border Statute) becomes increasingly adopted by major countries, OSCÓS ABOGADOS will refer to its familiarity and knowledge of international insolvency to ensure clients receive the best possible legal solutions.

These cases, inter alia, have produced case law and jurisprudence.

Oscos Abogados structure tailor made strategy for the best outcome of clients, whether creditors, debtors or trustees. The firm try to gain time and money for the parties by optimising parties assets, rights and obligations seeking, when possible, an out of court settlement or, also, when possible and convenient under the circumstances, the court approval of a reorganisation plan within a court insolvency proceeding.

"In the court approval reorganisation plan there are some tax benefits that may be gained in favour of both debtor and creditors," said Dario Oscós, founder and senior partner.

"Given the central Europe financial crisis due to Sovereign Sates debt and European banks debt, that is aggravating the still ongoing 2009 economy crisis, it is expected that a second recession or at least lack of economy acceleration may take place this and next years. Accordingly, businesses worldwide will be force to face insolvency issues," concluded Mr Oscós.



REAL ESTATE

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JPG Asesores Corporativos provides domestic and foreign clients the legal advice necessary to guide them in the execution of all kinds of real estate transactions. The firm's legal counsel services not only include the acquisition of properties, but also the design of other legal structures such as trusts, joint ventures and other types of agreements. The firm also offers the necessary advice on the federal, state and municipal legal and tax aspects that may be applicable with regards to the acquisition, urbanisation, zoning, development and exploitation of real estate property.

According to César Daniel Pérez-Cázarez, LL.M., managing partner, there are two specific aspects that have to be dealt with carefully when acquiring properties in Mexico.

The first aspect is the fact that Mexican legislation makes a distinction between "private property" and "social property". Social property is mainly represented by ejido and community land. Ejido and community property are extensions of land granted by the Mexican government to the local inhabitants of a location, as a community, for its primary use as farmland. Ejidos and communities are usually located in rural areas, which in many cases, due to urban growth, have become part of cities and urban centres.

"Therefore, due to their location, they represent important investment opportunities relating to the ordered growth of urban locations," said Mr Pérez-Cázarez. "In addition, some tourist destinations have been developed on formed ejido and community land – mainly, beach destinations."

Mr Pérez-Cázarez explained that foreigners cannot acquire ejido and community land, and even Mexican nationals may acquire ejido rights and the use of such land only if they meet some specific requirements. For the acquisition of direct ownership on ejido and community land it is necessary to previously carry out a complex process of conversion of such land into private property.

"Due to the technicalities involved in such conversion process, we do not specifically advise the acquisition of ejido or community land," said Mr Pérez-Cázarez. "However, the convenience of the acquisition of such kind of land lies in the fact that they may be located in strategic areas and – in some cases – may have a lower price as compared to private property."

The second aspect is the fact that Mexican law establishes several restrictions to the acquisition of real estate by foreigners in Mexico. The most relevant of those restrictions are the following:

- Due to the historic experience (for instance, the independence of Texas), under Article 27 of the Mexican Constitution, foreigners cannot acquire direct ownership on real estate property located within a "restricted zone" – that is, 100 km from the Mexican borders and 50 km from the Mexican coasts. Foreign individuals and entities may only acquire the use of real estate property located in the restricted zone through a trust held by Mexican Financial Institution as trustee.

- Mexican legal entities with foreign investment may acquire direct ownership of real estate property located within the restricted zone, insofar as their use and destination is not for residential purposes. Otherwise, only use may be acquired through a trust.