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MEXICO'S INVESTMENT PORTFOLIO | 2015 - 2018

INTRODUCTION

It is time, for Mexico to demonstrate what this country is capable of achieving on a world-wide basis. In the last years several structural reforms have been achieved, as there is a real necessity to obtain a higher economic growth and higher and better-quality living standards for its citizens (health, employment, education).

The actual purpose pursued by publishing our "Mexico's Investment Portfolio | 2015 - 2018" (MIP) is to invite and encourage the arrival of foreign and domestic investment to the optimum, as well as to dare the investor to take advantage of current "Mexico's moment".

The MIP intends to provide, in a better understanding of the investment trends. The first part of the MIP addresses the commercial aspect of a wide variety of fields (mining, telecom, oil & gas, renewable energy and infrastructure among others). The second part deals with the legal environment of key (tax, litigation, trade, and labor among others) fields in Mexico. Mexico's economy ranks in 15th position according to the International Monetary Fund (IMF) and the World Bank (WB), has an approximate \$14,000 USD dollars PIB per capita according to the Organization for Economic Cooperation and Development (OECD), and occupies the 7th position in the transnational corporations' top prospective host economies ranking after China, US, India, Indonesia, Brazil and Germany, according to a UNCTAD Survey.

Much has been done to strengthen its

financial system in order to ensure its stability and the investors' confidence. Mexico's political classes have cooperated in pushing through the structural-reforms through a non-partisan model "Pact for Mexico"; such set of reforms includes: energy (ending up a 75 years' estate monopoly), telecommunications, finance, labor, and education.

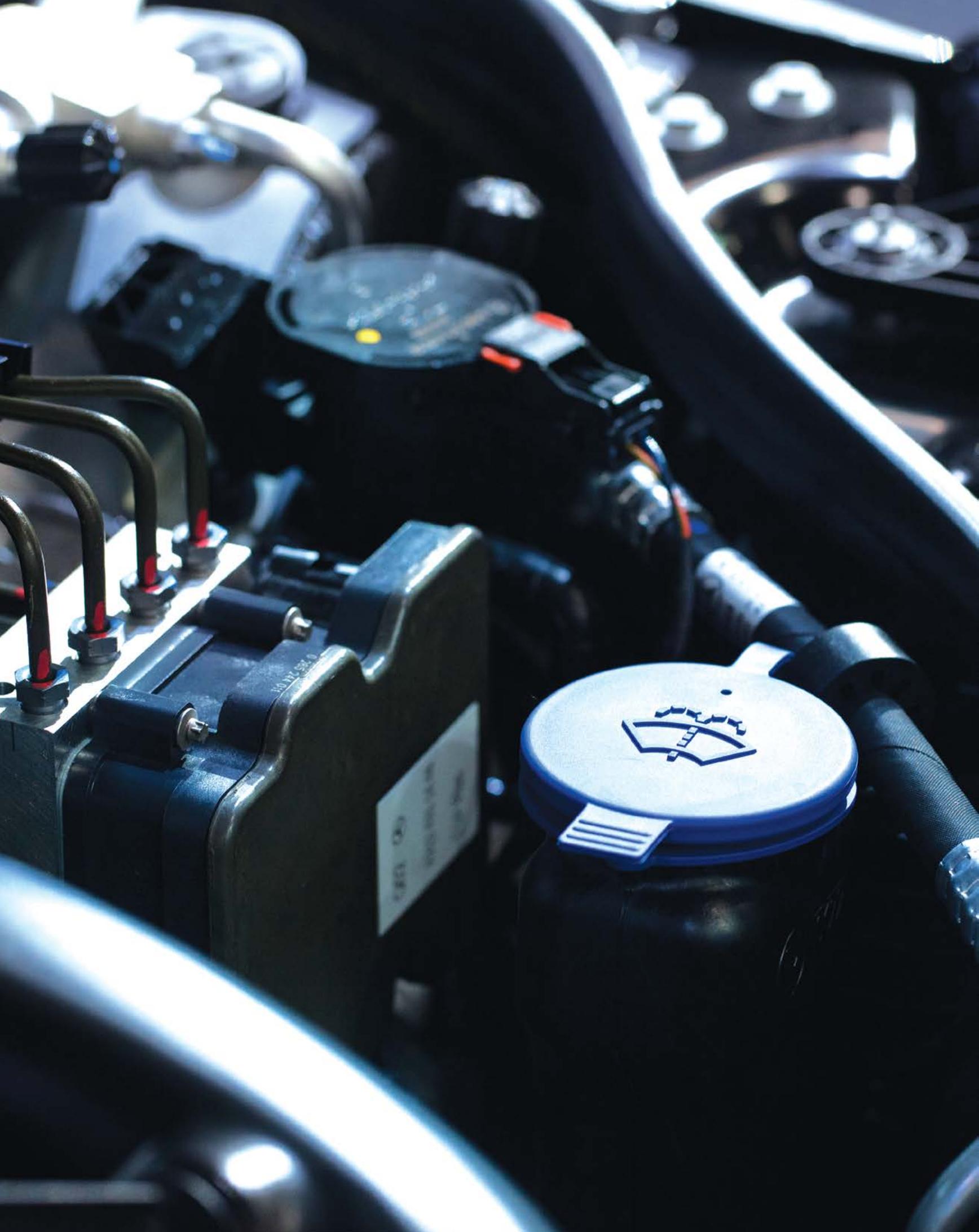
What is the charm about the Mexican golden moment? The Ministry of Economy forecasts a \$30 billion USD investment in Mexico as a result of the structural-reforms; and the IMF forecasts a 3.5% for 2015. In addition, workforce low salaries and strong work ethic, a 2,237 working hours per year per worker rate according to the OECD -above average rate-, the prime location next on America's doorstep (U.S. is the 3rd largest trade partner for Mexico, with exports and imports totaling an estimated \$507 billion during 2013), a strong domestic and foreign financial buffers, open economy with 44 agreements (including NAFTA), the structural-reforms already underway in Mexico, the not expensive "Peso", the education level change, an increase in its manufacturing base and change in its income level and higher spending in the economy have helped Mexico become more globally competitive.

Several challenges are expected for Mexico to overcome, such as the regulators granting contracts to Pemex and its competitors in the bidding rounds in a fairly basis, the eventual lowering costs of the electricity and hydrocarbons sectors benefiting final consumers. Electricity cost will decrease at an estimated 40-50% as a result of the reforms,

as well as an increase in natural gas supply. Mexico is the world's 6th largest crude oil producer, and wants to increase its supply from 2.5 million barrels per day (bpd) up to 3.5 million bpd by 2025. Besides the reverse falling production challenge, Mexico will have to boost investment by welcoming back long-term foreign investors with participation in infrastructure, telecom networks, toll roads, gas pipelines, the oil sector, transportation, real estate, mining, tourism, automotive business. In addition, Pemex's monopoly will have to morph into a state-owned productive enterprise.

Many investment opportunities lay ahead in Mexico' forecast. Goodrich Riquelme y Asociados lawfirm (GRA) has over 80 years' "Doing Business in Mexico" experience. In GRA we assist foreign business to better understand business in Mexico, and help domestic business to invest in the right areas. GRA has also a long tradition of standing alongside its clients when helping make their business objectives a reality by means of an innovative approach towards the rendering of contemporary legal services tailored to the demanding business community world-wide. Mexico has the potential to become a harbinger of change after years of waiting, but a reality instead, to unleash the country's growth potential.

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AUTOMOTIVE SECTOR

“Important opportunities have arisen in the Mexican market due to the demand of components and auto parts of the different auto brands ...”

INTRODUCTION

This section is intended to provide an overview of this sector, and the existing investment opportunities that investors of all sizes may encounter in this growing industry and regardless of its position in the supply chain.

SCOPE OF THE AUTOMOTIVE INDUSTRY AND ITS SUPPLY CHAIN

The term automotive industry is quite ample which covers all the productions levels in which technology innovations, quality standards and low costs are the key to success. The manufacturing vehicle industry is comprised by the well-known Original Equipment Manufacturers (OEM's), the auto parts manufacturers, the chain of suppliers, whereas Tier 1 (refer to companies which are direct suppliers to OEMs) or Tier 2 (refer to companies which are the key suppliers to tier one suppliers, without supplying a product directly to OEM companies). However, a single company may be a tier one supplier to one company and a tier two supplier to another company, or may be a tier one supplier for one product and a tier two supplier for a different product line. Companies may sometimes find it convenient to distinguish other tiers in the supply chain.

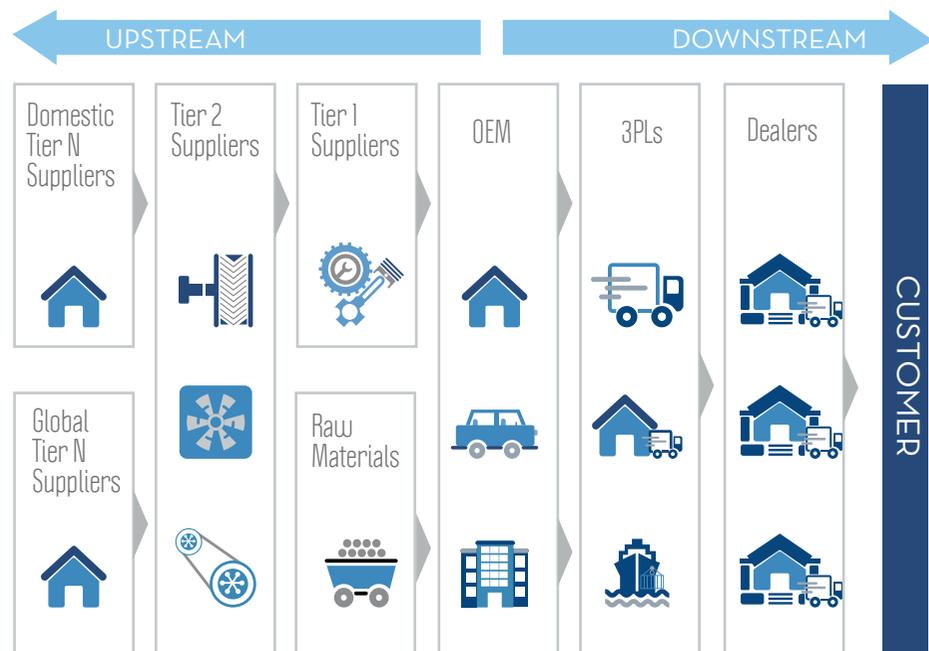
For the production of vehicles a segmentation may be done depending on its capacity of

transportation, including: light vehicles and heavy vehicles (light commercial vehicles, heavy trucks and buses).

Important opportunities have arisen in the Mexican market due to the demand of components and auto parts of the different auto brands of the thousands of models available in Mexico, representing the aftermarket industry a major segment, for the import of parts and in the distribution and supply to the garage chains and spare parts stores.

From a legal perspective, counsel is key in this evolving industry, in which all players shall be prepared not only to meet the requirements of the OEM's, Tier 1 and Tier 2 suppliers companies, and foresee all the problems that may be encountered. A sector in which quality control must be assured and competitiveness shall always be present.

Suppliers must be ready to changes of volumes in an industry in which time is essential for complying with high quality standards.



SOURCE: -Business Monitor referred by promexico.gob.mx.

- Organisation Internationale des Constructeurs d'Automobiles OICA.NET

- Secretaría de Relaciones Exteriores sre.gob.mx

- Secretaría de Economía se.gob.mx



MEXICO OCCUPIES A LEADING POSITION IN THE AUTOMOTIVE WORLD INDUSTRY

According to the OICA it is remarked that, Mexico has been advancing in the international vehicle manufacturing ranking, placing Mexico as the eight largest manufacturer in the world and second in Latin America.

In 2011, four of five vehicles manufactured in Mexico were exported, positioning Mexico among the most important worldwide,

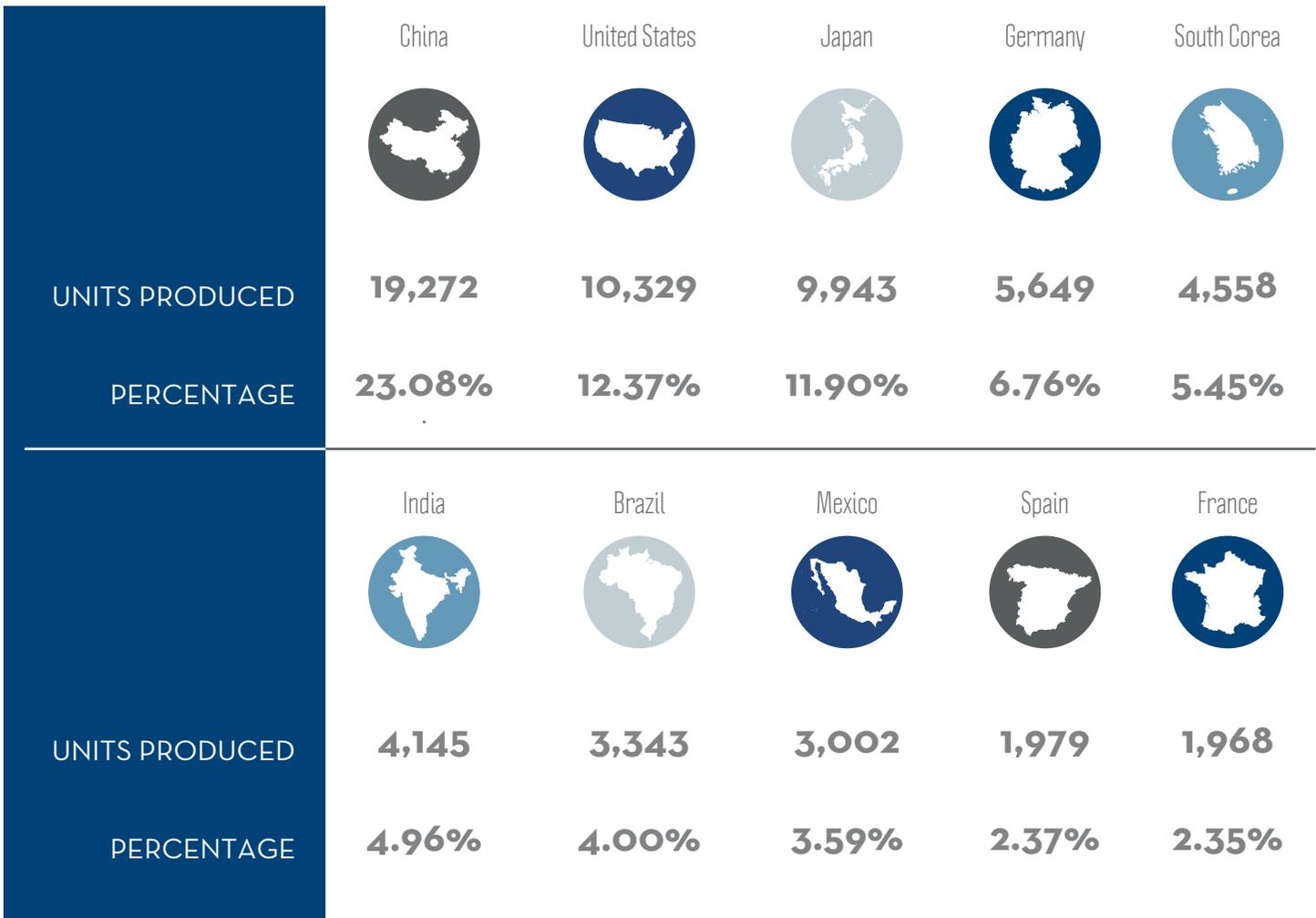
ranking 6th among major exporters of motor vehicles (SOURCE AMIA), reporting an increase in its exports of approximately 50% with respect to the previous year, and representing 23% of the aggregate in national exports, according to Business Monitor.

Due to the strategic position of Mexico, according to ProMéxico in 2012, 63.9% of the vehicles are exported to the USA, making Mexico the number one supplier of the USA with 11 of each 100 units sold in the USA manufactured in Mexico. The rest of the production is exported to more than 100 countries 11 of each 100 units sold in the USA are manufactured in Mexico. (Source: AMIA).

MEXICO CONTINUES ITS ADVANCE IN THE GLOBAL AUTOMOTIVE RANKINGS

Mexico has been able to increase its competitiveness as a manufacturer of vehicles, auto parts and components, becoming an important center of design and technological innovation, due to its human sophisticated work force in this field.

The country will become the fourth largest exporter of light vehicles and the eighth largest producer globally, thanks to United States. Mexican production of light vehicles



World-wide vehicle volume production in 2012 from a 83,487 vehicles production.

* Thousands of units.

SOURCE: INEGI. La Industria Automotriz en Mexico 2013 (using information from the Organisation Internationale des Constructeurs d'Automobiles –OICA).

this year will reach a record year of 2.7 million units. In the first eight months of 2012, total production reached 1.9 million units, a 13 percent increase over the same period of 2011, when it reached 2.4 million units (as given by ProMéxico using Global Trade Atlas data).

The expansion nearly 7 percent doubles the 3.5 percent growth expected for the Gross Domestic Product (GDP) Mexico this year, according to official forecasts. Their shares in exports places, as the most important industry, even more than the oil sector.

MAJOR PLAYERS IN THE MEXICAN AUTOMOTIVE FIELD

Most of well-known OEM's (light and heavy vehicles) have set operations in Mexico, Toyota, GM, Ford, Chrysler, Volkswagen, Nissan, Honda, Volvo, BMW, Mercedes Benz, Kenworth, Navistar, Mazda and Audi, among others.

The investment made by each of the OEM's established in Mexico, in 2012 totaled 211,510 dollars.

AUTOMOTIVE CLUSTERS: GROWING CLOSE TOGETHER

The setting up of the OEM in Mexico has attracted the investment of all the companies participating in the supply chain, which has permitted the development of a number of automotive clusters all around the Mexican territory.

THE AUTOMOTIVE INDUSTRY CONTINUES IN EXPANSION

Mexico is increasing its competitive as a manufacturer of motor vehicles and components and has become an important center of design and technological innovation,

for which human capital development plays a key role.

Mexico has excellent communications. Its extensive road network and rail system links its northern and southern borders, and with connections to the United States, Guatemala and Belize, and the west coast and east, connecting the ports of the Pacific Ocean to the Gulf of Mexico and the Caribbean Sea, in the Atlantic Ocean.

Mexico is also the second country in the world with most of free trade agreements executed.

Mexican auto industry is comprised of more than 600 companies in the first, and second and third production level.

MANUFACTURING AND EXPORTS OF VEHICLES AND ITS AUTO PARTS HAVE ENCOUNTERED A GREAT DEVELOPMENT IN A FREE TRADE ATMOSPHERE, PUSHED BY LOCAL INCENTIVES

Mexico is a party to many free trade agreements; it has a network of 13 FTAs and economic partnership agreements, enjoying preferential access to the markets in 44 countries including the world's largest economies, such as the United States, Canada and 27 European Union countries and Japan.

Goodrich's Automotive and auto parts lawyers provide legal counseling to investors and entrepreneurs looking to take advantage of the vast opportunities that are offered in this important industry, including the big OEM companies, as well as the auto parts manufacturers and traders for the After-market.

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ELECTRICITY MARKETS

“Regarding power generation and supply, private companies will be able to generate electricity in the same terms as CFE”

APPROACH TO THE MARKET STRUCTURE OF THE ELECTRICITY SECTOR.

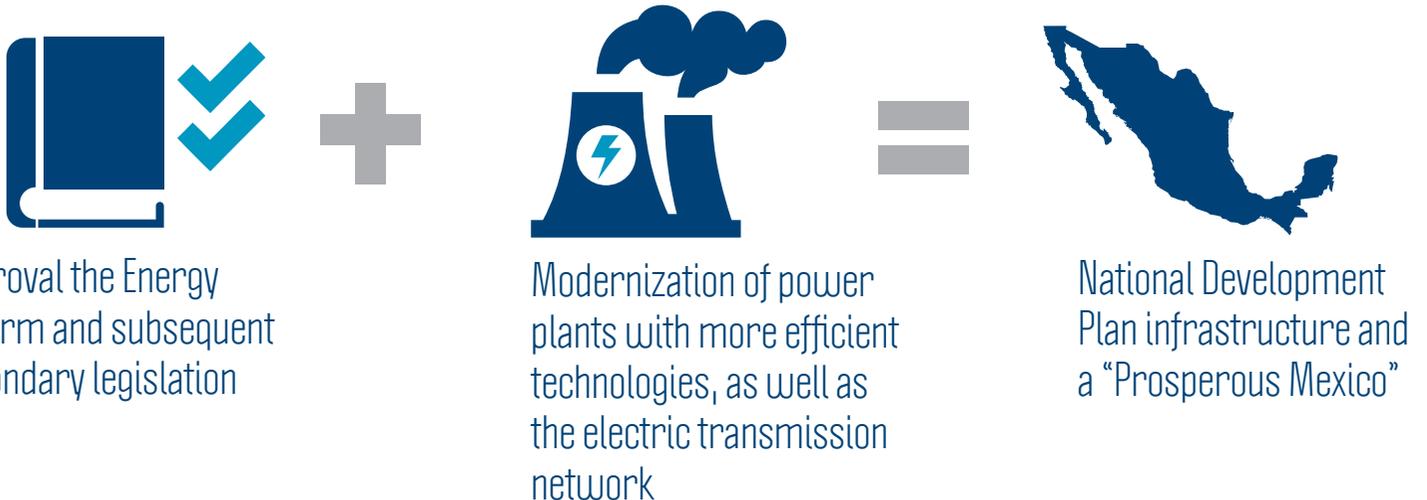
The 2013-2018 National Development Plan’s (“NDP”) main objective is to bring Mexico to its maximum potential through five primary goals. Within the goal of “A Prosperous Mexico” the importance of Mexico’s energy needs through improved efficiency, access to resources and a better supply of electricity. Under the NDP, it is important to plan ahead for greater integration of users to the supply of electricity. For Mexico to be energy efficient, it must be able to access sources efficiently, thus, allowing more economic growth for all Mexicans via access to these sources.

Additionally, insufficient pipeline infrastructure in the natural gas market has led to shortages of supply, thus, avoiding a more efficient use of fuel by industries and impacting the power sector by rising production costs. The latter is sensitive in a country where the power sector tariffs are the highest among the OECD countries.

BASIC DIAGNOSIS: THE ELECTRICITY SITUATION

Currently, transmission and distribution lines suffer from extreme inefficiency in some regions, where there are considerable energy losses, both technical and non-technical. These inefficiencies and/or losses as well as the lack of competitiveness and

infrastructure, have contributed to driving up Mexico’s electricity prices to the point that they represent a considerable cost for the Mexican industry and therefore, for the end consumers. Compared with the United States, the electricity rates are an average of 25% higher in Mexico. In this regard, in December, 2013, the Mexican President signed into law and enacted the Constitutional Energy Reform (the “Reform”) and set up the path for a significant transformation in Mexico’s energy sector. In this regard, in 2014, the President enacted the Law of the Power Industry (the “Law”) and its set of Regulations.





CURRENT REGULATION OF THE ELECTRICITY SECTOR

According to the Reform and the Law, the legal framework for electricity in Mexico has changed from a restricted electricity market to a liberalized electricity market with complete openness to private investment in generation and commercialization and the possibility of Joint Ventures or Public Private Partnerships (Asociaciones Público Privadas) between the Mexican State, through Comisión Federal de Electricidad or Federal Electricity Commission (“CFE”), the State owned utility and private firms for transmission and distribution.

Regarding power generation and supply, private companies will now be able to generate electricity in the same terms as CFE. The Law contemplates two market segments: (i) the regulated market with regulated rates to supply to Standard Users and (ii) the liberalized market to supply to Qualified Users.

The Law also creates a wholesale electricity market, a market operated by CENACE in which the Market Participants may carry out several transactions. In this market, electricity will be traded at a spot price. The electricity transactions will be based on the price of electricity in a given node of the National Power System for a defined period. Such price will be calculated in accordance with the rules applicable to this new electricity market. All power generators within the wholesale electricity market will have the possibility to bid to provide surplus power to the end consumers. It is worth to note that the Market Rules have not been published yet.

Notwithstanding the fact that transmission and distribution activities will remain as services that are exclusively provided by the Mexican State (specifically, by CFE), the Law establishes the possibility to execute agreements between private parties and CFE concerning particular aspects of transmission and distribution services, such as, financing, installation, maintenance, management, operation and improvement of the necessary infrastructure.

Likewise, the Law establishes the superficial occupation or the creation of easements necessary to render the public service of transmission and distribution of electricity, and construction of plants generating electricity in those cases in which, due to the nature of the project, requires a specific location.

The Law also contemplates the category of isolated supply which is defined as the generation or importation of electricity for the satisfaction of an entity’s own internal electricity requirements or for export, without the utilization of the CFE transmission lines. In this respect, power plants may assign or designate all or part of their electricity production for purposes of isolated supply.

Moreover, the Law recognizes the modality of distributed generation as a method of generation of power defined by meeting the following criteria: a) it is generated by an Exempt Generator (less than 0.5 MW of capacity); and b) it is generated in an electric plant that is interconnected to a distribution circuit that contains a high concentration of load centers. Distributed Generation consists of the generation of electricity on a small scale and with a direct connection to a distribution network, and is characterized by being installed at locations close to the consumption site. By means of Distributed Generation and through the execution of long term PPA’s, generators will be able to sell to third parties the electricity they produce in a simpler and more efficient manner.

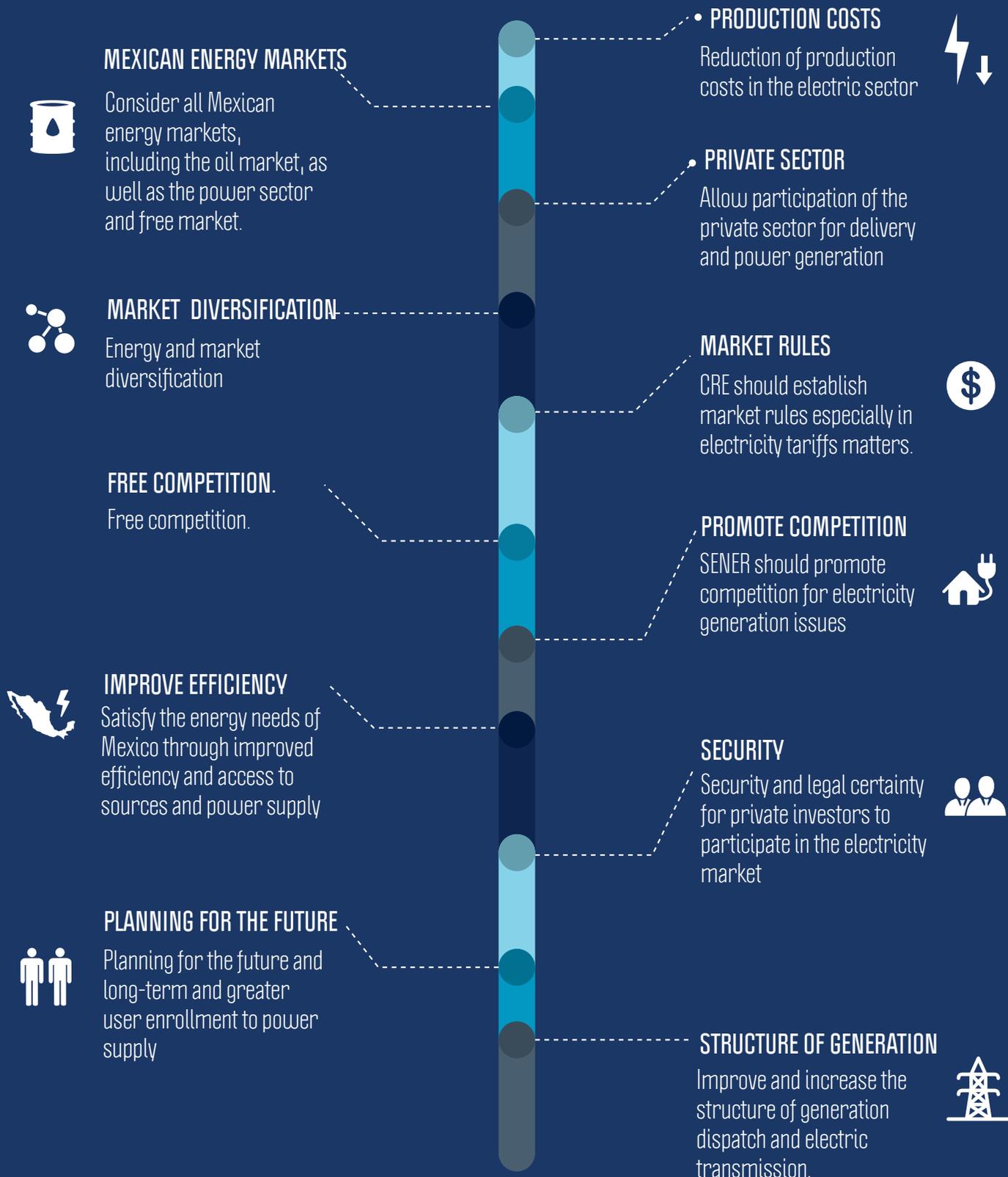
In connection to the new institutional design, the Reform and the Law aim to terminate the historic monopolistic position of CFE, by opening the power generation and commercialization to the private sector. The Reform also requires CFE to become a “productive state company”, able to compete with private companies in the market. The CENACE will now become an independent administrator for the national power system and the wholesale electricity market, more like a third party arbitrator.

Furthermore, Mexico’s transition on energy production is urgent because of climate

change. The generation of electricity is one of the most important components in emissions of greenhouse gases (GHGs) in the energy sector, as it produces 60% of total emissions.

The Reform is intended to create the basis for the modernization of power plants with more efficient and cleaner technologies and pipeline infrastructure, which will offer new opportunities for companies.

GOALS OF THE NATIONAL DEVELOPMENT PLAN 2013 FOR THE ELECTRIC SECTOR





ECONOMIC OUTLOOK IN THE ELECTRICITY SECTOR

In 10 years, Mexico will not have a sustainable supply of energy if the current situation remains unchanged. While energy demand grew at an annual rate of 2.08% during the first years of this decade, primary energy production fell by 0.3% during such years. If these trends continue, Mexico could become a net energy importer despite having vast resources within its borders. It is imperative that the Mexican government design long-term public policies that ensure access to efficient and environmentally clean energy in order to have the potential for economic development and growth set forth in the NDP.

According to the National Infrastructure Program 2014-2018 (the “Program”),

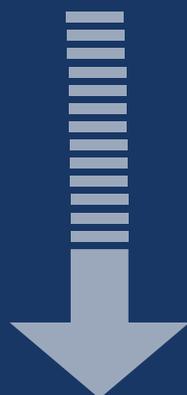
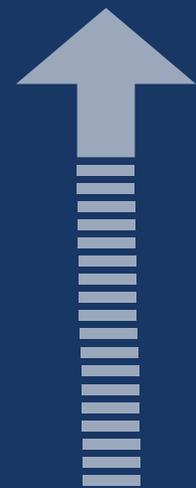
the transformation of the energy sector will be possible by boosting investment and increasing efficiency of the operating companies, both public and private, as well as the multiplication of projects from a greater number of players competing in the different market segments. According to the Program, it is expected that for the period 2013-2018, investments from private sources will achieve a 27% overall and the potential of private investment that represent the structural reforms, could reach 20 billion dollars annually from 2015 to 2018. Likewise, it is estimated that the national electricity consumption will increase around 27% by 2018, compared to the year-end 2012, through the construction of 25,184 MW of additional capacity. Allowing free competition in activities such as generation and commercialization of electricity (as intended by the Reform), will create a market in which users will be attended by CFE or new private generators, whose projects will

represent approximately 25 billion dollars in investments. In generation projects, it is expected that private investment will gradually increase until it represents a 15% of total investment by 2018.

Finally, the generation of electricity with nuclear technology will remain an exclusive State activity (CFE). In its National Energy Strategy 2013-2027, the Federal Government contemplates nuclear power as a viable option to reach a 35% share of non-fossil fuel power generation until 2025. CFE would oversee the construction of nuclear plants.



Energy demand had an annual growth rate of 2.08% during the period 2000 - 2011



The primary energy production decrease 0.3% per year.

In Goodrich Riquelme y Asociados, our group of experts is readily available to provide expertise for domestic and international renewable energy projects. In doing so, we render solutions tailored to the burgeoning fuel cell, hydrogen gas and tidal technologies of the future energy generations.

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FINANCIAL SERVICES AND CAPITAL MARKETS

“Currently The Average Capitalization Ratio Of Mexican Banking Institutions Increased Over 16%”

The National Development Plan 2013-2018 (“NDP”) proposes “A Prosperous Mexico” as its fourth national goal and to achieve economic growth by finding, “a means to promote development, reduce poverty and achieve a better quality of life for the population.”

MEXICAN MARKET OVERVIEW

Despite turbulence experienced in recent years, as well as general uncertainty that spans international markets, great strength at the macroeconomic level has characterized Mexico.

The sovereign debt the Mexican government has issued has maintained its investment grade rating that major international institutions have awarded during the last 10 years.

Meanwhile, the financial sector in Mexico, has been equally solid and solvent. Currently the average capitalization ratio of Mexican banking institutions increased over 16%.

RELEVANCE OF THE FINANCIAL SECTOR IN ACHIEVING “A PROSPEROUS MEXICO”

The financial system exists to facilitate the efficient reallocation of economic resources. Thus, surplus funds from savers are

converted into credits that serve to support productive projects. Financial activity allows the development of productive projects that otherwise could not be carried out. In this sense, a competitive financial market tends to propel economic development precisely for those who do not have their own resources to undertake a productive project.

The country’s macroeconomic soundness as a whole and the strength of the financial system in particular, represent the minimum conditions necessary for the provision of financial services. However, these features do not, by themselves, guarantee that the financial sector carries out its role as the driver of development through the granting of credit. Despite the undeniable benefits of the Mexican financial system, the NDP identifies certain challenges to tackle:

1. The need to expand access to finance, especially among small and medium enterprises (SME’s). According to World Bank figures, the Mexican banking sector is one of the banking sectors that least places credit worldwide.
2. The Mexican financial system presents a significant concentration of bank assets. According to International Monetary Fund figures, 82% of bank assets are concentrated in just 7 institutions.

THE STRATEGY

The Mexican government has introduced a Financial Reform with the goal of achieving a sound yet competitive financial system that is a driver of productive projects through the provision of more and better financing. The Financial Reform entails the amendment of 34 statutes; all grouped around four key areas:

I. Promote credit via Development Banks.

The reform provides more flexibility to the operation of institutions to expand the volume of credits they grant, focusing particularly on the financing of projects related to priority areas for national development.

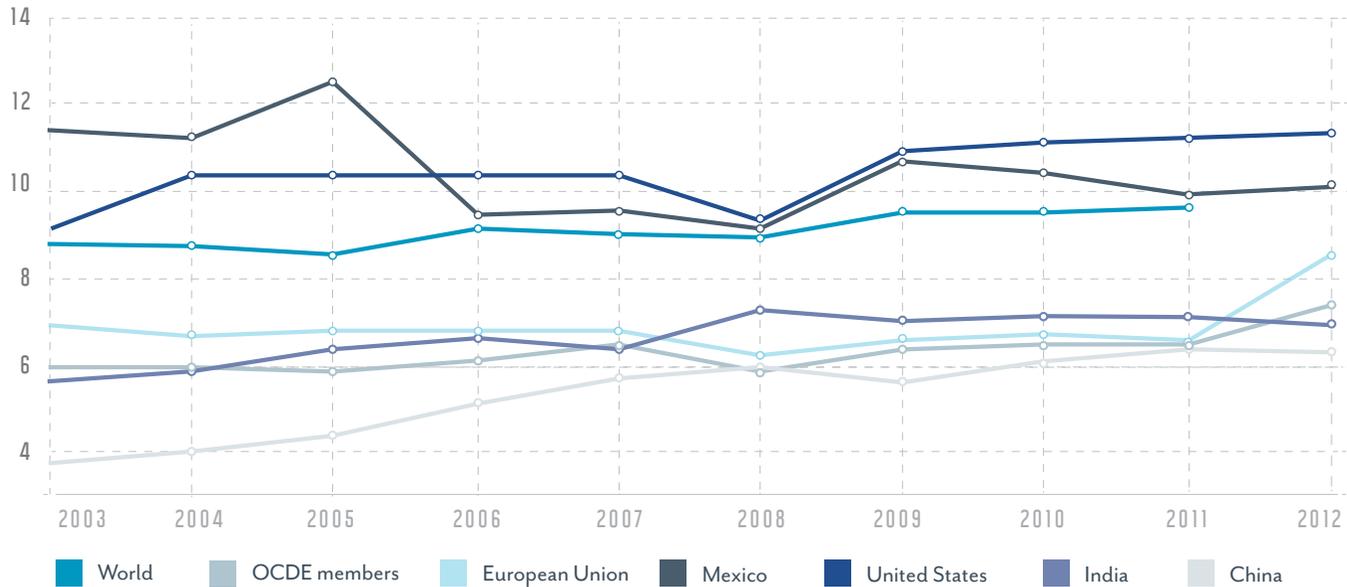
II. Increase the financial sector’s competitiveness through the following steps:

(A) A request has been made to the Federal Competition Commission, to prepare an analysis on the current state of the financial sector in Mexico, and issue recommendations to improve competition in the sector. Expected rules to be implemented include: facilitating users to switch from one financial institution to another and prohibiting tied sales.¹

¹ Product sales conditioned on contracting for additional products.



BANK CAPITALIZATION RATIO (%)



(B) Implementing various measures so that medium-sized enterprises gain access to financing through the stock market. In particular, the amendments are: (1) extend to 10 years the period during which the companies incorporated as sociedades anónimas promotoras de inversión bursátil (SAPIB) may remain listed on the stock market before becoming fully regulated public issuers, under the form of “Sociedad

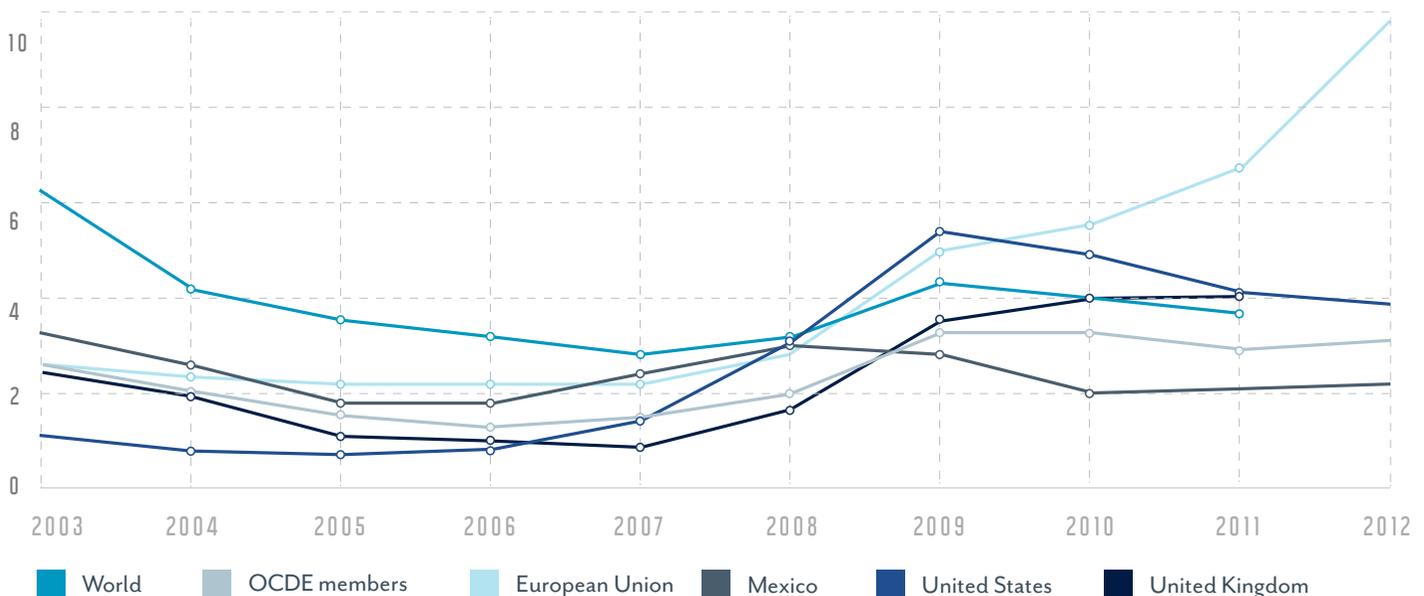
Anónima Bursátil” (SAB) , and providing that the conversion to SAB must be made when a corporate capital of 250 million UDIS is reached.

III. Expand lending from private financial institutions.

To provide greater certainty to banking activity, the Financial Reform includes

various measures to simplify the issuance and execution of loan guarantees, as well as facilitating the transfer of such securities in case of refinancing credit. This is particularly relevant considering that the World Bank has ranked Mexico 76th out 185 countries with respect to contract compliance.

PERFORMING LOANS AS A PERCENTAGE OF TOTAL LOANS (%)



IV. Ensure a sound and prudent financial sector as a whole.

The Financial Reform elevates into law the norms concerning the capitalization rules of the Banking Regulatory Rules of Basel III. In addition, the Financial Reform includes measures that require banks to maintain certain liquidity ratios.

Our group is committed to meeting the highest quality standards when offering comprehensive and informed support counseling for asset financing and leasing transactions, public finance, banking regulatory work, securitization, risk identification, secure and unsecured commercial credit transactions.

Goodrich's capital markets experts help clients for advice on securities offerings of all kinds around the world, offering substantial experience in the most complex securities transactions that require highly creative and sophisticated advice.

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SHIPPING AND PORT INFRASTRUCTURE

“During the next 15 years an outstanding investment in the development of new marine regions is expected. In fact, it will be the largest investment in the sector’s history.”

COASTAL TRADE

Effective access to international shipping services and port network is an essential requirement for emerging economies as Mexico. Not only maritime transportation is linked to global supply chains, and economic developments (80% of global merchandise trade is carried by sea maritime transport according to the UNCTAD) by allowing the transfer of largest volume of goods over longer distances, but also to the passenger sea transport (cruise lines) which is a growing touristic sector, as well as the transport of hydrocarbons for its import / export in order to supply the oil and gas demand. In fact, international trade is mostly done by this mode of transportation.

According to UNCTAD, on 2013 there was an estimated increase of 4.3% regarding global seaborne trade over the 9 billion tons in 2012, showing a high growth in the field.

Nowadays the maritime transport service faces a complex time where there are new opportunities to be taken as a deeper regional integration and cooperation, access to new markets and growing diversification of the sources of supply, and risks to overcome such as the climate change that affects the shipping and port businesses, and the energy security and costs interconnection. The maritime transport must achieve a continuous supply of transit transport services and a global shipping network, both supported by institutional frameworks and infrastructure.



SOURCE: UNCTAD

Mexico as a contracting party to selected international conventions on maritime transport.



PORT DEVELOPMENTS

Mexico has 117 ports and terminals along its coasts (16 state-owned ports). Mexico has high ports, serving vessels, domestically and overseas. Another type of ports is cabotage,

serving small to medium sized vessels that navigates within the Mexican territory, only.

The ports may involve in different activities, such as: commercial, touristic, fishing, and hydrocarbons transportation.

Furthermore, Mexico is still the first destination for liner cruises, with more than 50 percent of the world's total.



Only 67% of maritime trade passes through just 16 of them as the remaining ports do not meet the international shipping standards for large vessels. In addition, it takes 12 days average for a container to arrive to a Mexican port, to unload the vessel, and to clear customs and leave the port.

According to the National Development Plan 2013 – 2018, the Mexican ports will receive an investment of \$3.7 billion dollars in order to double the current port capacity (reduce from 12 to 6 days average for a container to leave port). Mexico state-owned ports have undergone and will continue to face modernization.

In the last years, private investors along with the Mexican government have invested around \$3.5 billion dollars in a near complete overhaul of shipping hubs on the Pacific and Gulf coasts.

LEGAL FRAMEWORK

Mexico is part of several United Nations Conventions on maritime transport in order to provide legal certainty. Furthermore, a New Mexican Navigation and Maritime Commerce Law (LNCM) entered into force on June 30th 2006, granting certainty to the industry in two directions:

(i) By updating and creating a number of substantive rules; and (ii) by establishing a full set of new maritime claims proceedings.

Regarding the maritime authorities in Mexico, the Ministry of Communications and Transportation (SCT) is in charge of its regulation through the Director-General of Ports and Merchant Shipping and Harbor Matters.

As a general rule, under Mexican Law, cabotage in Mexican waters is reserved to Mexican shipowners with Mexican vessels or naval artefacts.

There is an important exception regarding the cabotage permits for both foreign-flagged vessels, and naval artefacts, which may be obtained in case there are neither Mexican-flagged vessels nor naval artefacts available.

To do so, a special bidding procedure must be conducted to award these permits. Bidders must compete in equal technical conditions.

The bidding procedure comprises 2 stages. In the first stage, only Mexican ship-owners may participate and the priority ranking is as follows:

- Mexican ship-owners with foreign vessels under a bareboat charter (under this category the whole crew must hold Mexican nationality); and
- Mexican ship-owners with foreign vessels under any other charter agreement (under this category, priority will be given to the vessel having a higher number of Mexican crew members).

In the event that no vessels are available under the above categories, the second stage of the special bidding procedure will take place, and foreigners with foreign vessels may participate.

OFFSHORE ENERGY

Mexico’s oil and gas offshore industry is one of the major markets worldwide for multinational marine contractors. In Mexico this industry is using all types of equipment (e.g. PEMEX Exploration and Production –PEP–, which might be considered as the most active subsidiary of the state-owned oil company).



SOURCE: UNCTAD
 Number of Ships
 Merchant fleets of the world by flags of registration, groups of economies and types of ship (January 2014).



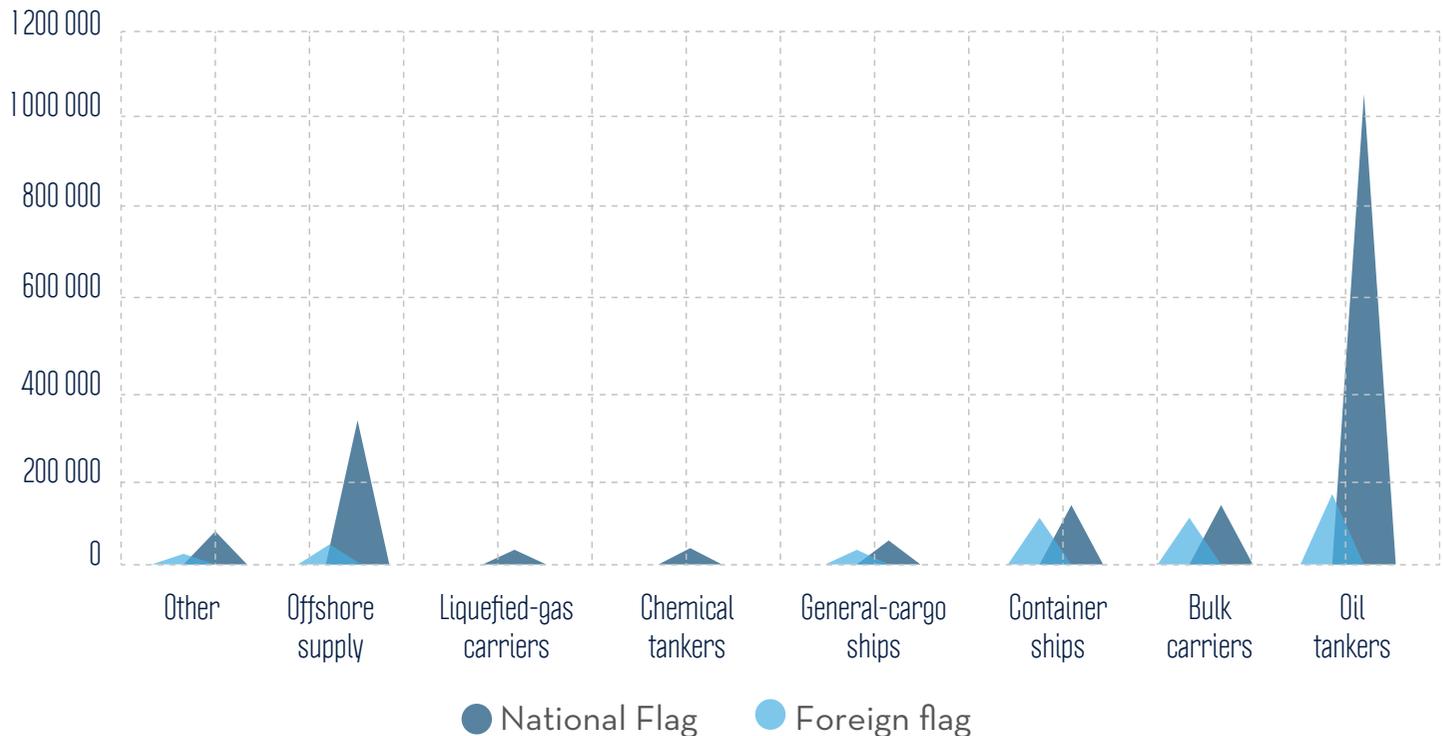
The main maritime transported oil and gas products are the liquefied gas and petroleum products. The liquefied gas cargo vessels arrive to Mexican ports such as Altamira, Ensenada and Tuxpan, and the petroleum

products cargo vessels arrive to ports as Lazaro, Salina Cruz and Tuxpan as well.

In addition, at Manzanillo port (Pacific coast) a new industrial complex was built to handle

liquefied natural gas imports. This complex aims to generate energy from the liquefied natural gas, and eventually provide cheaper energy.

MEXICO



SOURCE: UNCTAD
 Fleet profiles of the major 48 ship-owning developing countries/territories and counties/territories with economies in transition (January 2014).

INVESTMENT OPPORTUNITIES

Under the Foreign Investment Law (LIE) foreign investment cannot exceed 49 percent in cabotage business in Mexico.

Another exception under the LIE, is that Mexican shipping companies providing port services within a Mexican port are allowed to exceed that limit upon obtaining the authorization described before.

The last exception is the Mexican cabotage rule, which is applicable to naval artefacts, and which may operate in Mexican waters

under stay authorizations as opposed to cabotage permits. The maritime authorities have not yet issued detailed criteria regarding which craft be deemed as vessels and which as naval artefacts; nevertheless, it appears that the operational purposes for which a craft is designed is the significant factor.

It is important to highlight that, in recent years, accommodation platforms, floating dry-docks; semi-submersible and jack-up rigs, self-propelled mobile drilling units, as well as non-self-propelled FSO and FSPO units have obtained stay authorizations.

During the next 15 years an outstanding investment in the development of new marine regions is expected. In fact, it will be the

largest investment in the sector's history. Accordingly, there is an impressive range of business opportunities regarding the supply of platforms, ships and offshore services in general. Nowadays, the marine regions contribute with more than 80 percent of the hydrocarbons production in Mexico and this will increase substantially on the near future.

TYPES OF CARGO	PORTS	YIELDS			
		THBP	THBM	THBO	THL
LIQUEFIED GAS	ALTAMIRA, TAMPS.	1,419.9	2,149.5	4,008.9	0.0
	ENSENADA, B.C.S.	2,572.7	2,666.5	3,930.7	0.0
	TUXPAN, VER.	124.0	159.0	233.0	233.0
PETROLEUM PRODUCTS	LAZARO CARDENAS, MICH.	182.0	316.0	933.0	822.0
	SALINA CRUZ, OAX.	471.7	763.1	1,008.0	336.0
	TUXPAN, VER.	300.0	958.0	1,299.0	1,299.0

THBP. Tons/hour vessel in port

THL. Tons/hour line or pipeline

THBM. Tons/hour vessel at quay

THBO. Tons/hour operating vessel

N.D. Not Available

SOURCE:

Mexican Yields regarding they type of cargo.

Ministry of Communications and Transport of the Mexican Government (January-September 2014).

http://www.sct.gob.mx/fileadmin/CGPMM/U_DGP/estadisticas/2014/Trimestrales/2014-3T.pdf

Our practice includes both seaport regulation and related matters on maritime transport and logistics, as well as comprehensive consulting for commissioning vessels, oil rigs and other naval artifacts to the offshore oil and gas industry.

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MINING

“With the Energy Reform of 2014, the owners of coal mining concessions may recover and use gas shale released in the process of coal extraction for use in its own business and for sell to third parties ...”

INTRODUCTION

Since colonial times mining has been one of the main economic activities in our country. In recent years, the mining industry in Mexico has grown to unparalleled levels. High demand for mining products has made the mining industry the third largest source of income in the country, due to the demand for mining products from industrialized countries, particularly China, which has caused an international rise in prices.

In 2012, mining production grew 12% compared to the production of 2011 and was valued close to 21.1 billion dollars. In the same year, exports of mining products reached 32.8 billion dollars. The trend continues at a more conservative average in 2013-2014.

Due to its rapid growth in recent years, the mining sector now accounts for 6.9% of the GDP of Mexico, compared to only 1% of GDP in 2000.

Mexico, in turn, has large gold reserves and resources accounting for over a third of the exports of mining products during 2013-2014. During the past five years, gold production in Mexico has doubled and Mexico has become the second largest gold producer in Latin America and ninth in the world.

Products such as copper, iron, molybdenum, titanium, lead and zinc are other important minerals that are also produced in Mexico.

Also, the Mexican market demands for

metal and non-metal minerals required for construction activities has also been affected due to the diverse government infrastructure projects, among which several highways, train lanes and buildings are included.

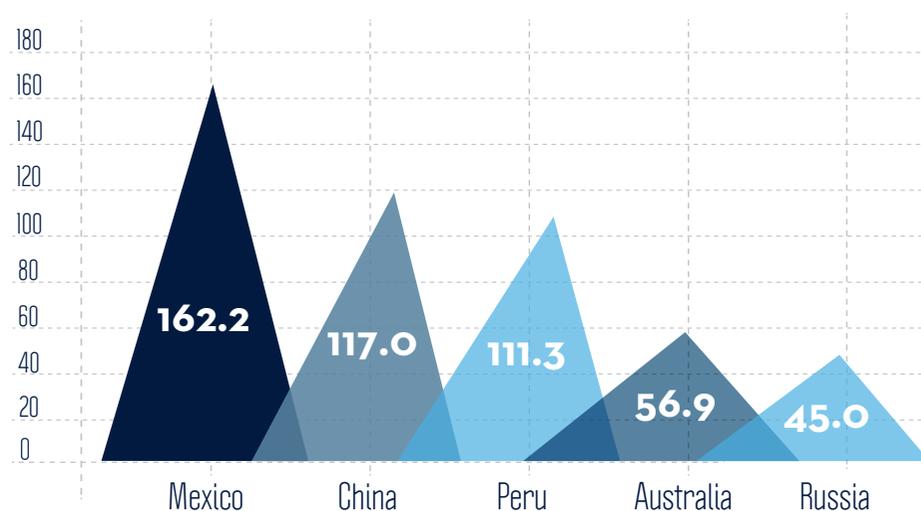
FOREIGN INVESTMENT

Mexico is among the best destinations for mining investment according to Behre Dolbear's 2014 Ranking of Countries for Mining Investment, considered as the second

country in Latin America and fifth in the world to invest in mining projects, because of its friendly economic regulation, geological prosperity, taxation regime, strategic location and the availability of qualified personnel.

The Ministry of Economy reported that in 2011 investment in the mining industry rose 42.7% over that year, from \$3.316 to \$4.731 billion dollars. From 2007-2011, the total investment in Mexico has had an average annual growth of 20.9%. Despite lower activity in 2013-2014, it is still robust.

THE TOP 5 OF COUNTRIES WITH HIGHEST PRODUCTION OF SILVER IN THE WORLD 2013 (MILLIONS OF OUNCES)



SOURCE:
The Silver Institute



Foreign investment represents 70% of the budget for mining exploration. 71% of that investment comes from Canada, while the remaining 16% is from the United States and 3% from China. Importantly, national companies carry out 60% of mining production in Mexico, while Canadian companies carry out the remaining 40%.

From a legal standpoint, it is important to note that foreign investors are given equal treatment with Mexican investors. Foreign investors may own a one hundred percent stake in Mexican mining companies engaged in the exploration, extraction and processing of deposits minerals.

INVESTMENT OPPORTUNITIES

As mentioned above, Mexico is the largest producer of silver in the world and remains one of the largest gold producers (9th), lead (5th), bismuth (3rd) and copper (11th) in the world. The states of Sonora and Zacatecas are the largest producers in the country, with a participation of over 50% of the mining production of 2013.

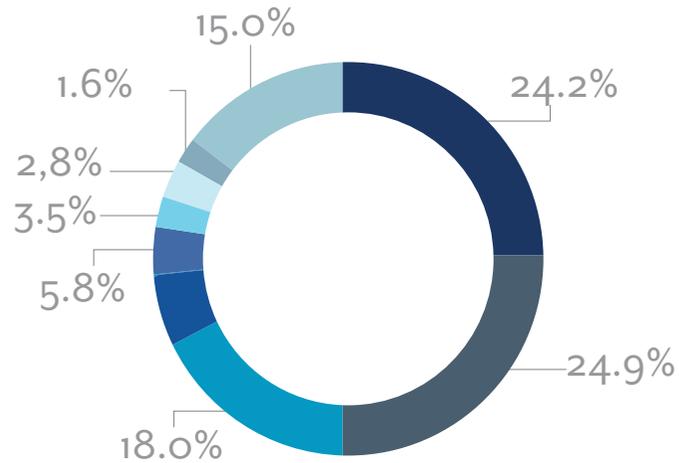
Currently, there are mining operations in 22 of the 32 states. The mining production is divided into gold (24.9%), silver (24.2%), copper (18%), zinc (5.8%), sand (3.5%), gravel (2.8%), iron (3%), charcoal (1.6%) and others (15%). The main producing states are: Sonora (28%), Zacatecas (28%), Chihuahua (14%), Coahuila (11%), San Luis Potosi (6%) and Durango (6%).

Most of the domestic production of silver occurs in the states of Zacatecas, Durango and Chihuahua. The largest silver mine in the world called "Fresnillo" is located in the state of Zacatecas. According to the 2013 annual report of the Ministry of Mining (CAMIMEX) represents 19.5% of total production of silver in Mexico.

The states of Chihuahua, Durango and Sonora are the largest gold producers in Mexico.

Copper production decreased for a long time, but as of 2010 it had an impressive

% PIPELINE MINING PRODUCTION (2012)



- Silver (24.2%)
- Zinc (5.8%)
- Iron (3%)
- Gold (24.4%)
- Sand (3.5%)
- Carbon (1.6%)
- Copper (18%)
- Gravel (2.8%)
- Others (15%)

SOURCE: INEGI. *La Minería en México 2014. Serie estadísticas sectoriales. 2014.*

increase. The main copper deposits in Mexico are located in the Sierra Madre Occidental. In 2013, the state of Sonora was the largest copper producer in the country, producing around 369,006 tons of copper, contributing 76.9% of the copper produced in the country.

Iron deposits in Mexico are distributed over two belts: one in the northeast (NE) and the other in the southwest (SW). In 2013, the state of Michoacan was the largest iron producer in the country, producing around 7'585,500 tons of iron, contributing 40.3% of the iron produced in the country.

Currently, 77% of the investment on the sector is directed to the exploratory tasks and over 9% is expended on the production and exploitation of resources.

LEGAL FRAMEWORK

According to Article 27 of the Mexican Constitution, the Nation has direct ownership of all natural resources of the continental shelf, however the federal government may grant individuals or companies concessions to use or exploit these resources.

The Mining Law states that the Ministry of Economy shall have the faculty and authority to grant mining concessions, both Mexican natural persons, companies incorporated under the laws of Mexico and farming communities.

Concessions for exploration and/or exploitation are granted over free land to the first applicant of a mining claim, as long as they meet the conditions and requirements of the Mining Act and its Regulations.

Mining concessions confer the rights to explore and exploit within the mining claims and disposing of mineral products obtained in the lots.

Mining concessions will last fifty years as of from the date of registration in the Public Registry of Mining and able to be extended for an equal period provided that there is no cause for termination under the Mining Law and an application for extension is submitted within five years prior to the expiration of the term.

Mining concessions can be assigned in whole or in part to third parties.

With the Energy Reform of 2014, the owners of coal mining concessions may recover and use gas shale released in the process of coal extraction for use in its own business and for sell to third parties, after obtaining authorization from the Energy Regulatory Commission.

ROYALTIES AND GOVERNMENTAL FEES

As one of the oldest activities in our country, over time the mining industry has been subject to different tax regimes. Today the Federal Tax and Duty law is the only existing law providing a special tax on mineral production.

Our firm is a leader in the provision of comprehensive legal services to international mining and commodities trading companies, as well as banks and financial institutions. Our lawyers have highly specialized expertise in corporate, financial, commercial, liability, environmental, tax, customs, transportation, agrarian and other regulatory matters associated with mining projects and the trading of mineral and agricultural commodities.

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OIL & GAS

“Mexico’s energy sector is experiencing its deepest and most radical change in the country’s history.”

Mexico’s energy sector is experiencing its deepest and most radical change in the country’s history. Mexico is ditching an 80-year model for the most liberal scheme they could embrace, dusting off a pattern that had already evidenced its urgent need for renewal and modernization. Indeed, casting off the chains of protectionism, Mexico is offering promising opportunities to the industry at all stages, as the whole sector gets a second wind.

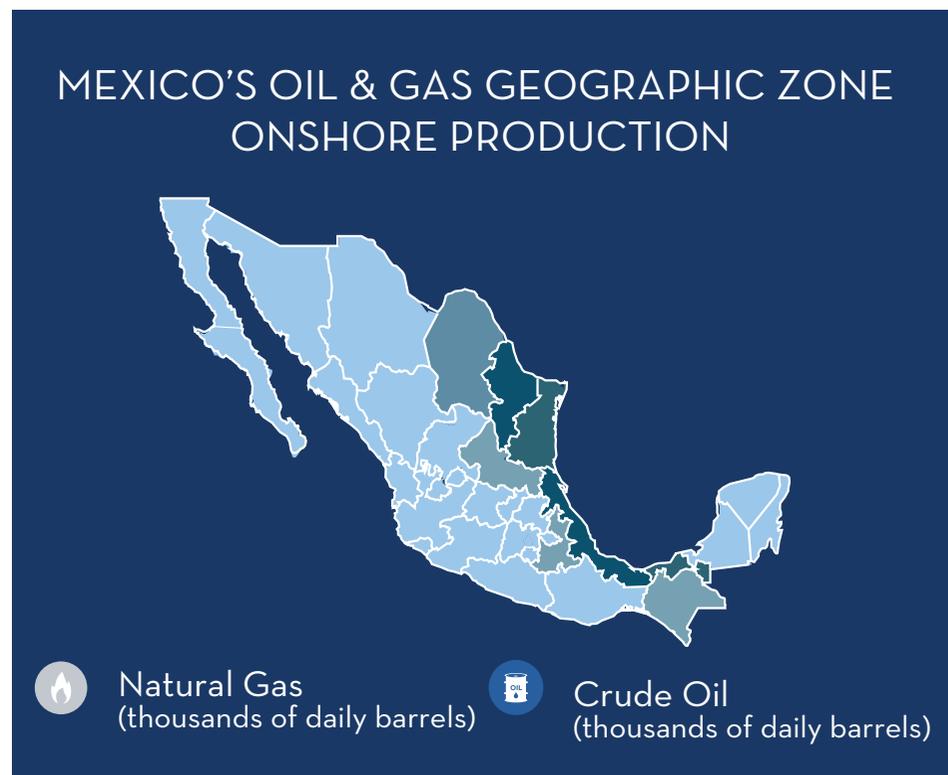
The energy reform is maybe the most far-reaching project of President Peña Nieto’s administration and expected to bring a 1% growth of Mexico’s GDP by 2018 and a 2% annual by 2025. From the brand new institutional design to the participation of private operators, all sectors of oil & gas, electricity and clean energies are actively fostered.

ENERGY REFORM’S FUNDAMENTALS

The energy reform’s aims toward high attractiveness for investment:

- Increasing natural gas production from 5.7 billion cubic feet (bcf) per day to 8 bcf per day by 2018 and up to 10 bcf/day by 2025, as well as,
- Increasing oil production from 2.5 million barrels per day to 3 million barrels per day by 2018.

The structural changes of the oil & gas market strive to achieve a reserve replacement rate above 100%.



Mexico's oil & gas geographic zone onshore production.

SOURCE: INEGI

<http://cuentame.inegi.org.mx/economia/petroleo/dondeesta.aspx?tema=E>

Framed by the Pacto por México, the unifying political agreement promoted by Mexican President, the reform and its scope were already established at an early stage of the President’s administration. First and foremost the hydrocarbons shall remain the nation’s property; the role of the regulators is enhanced; refining, petro-chemistry

and transportation will be opened up to competition; electricity production costs are expected to be lowered through natural gas; good quality energy supply at reasonable prices will be established in the country; and, last but not least, PEMEX (Mexico’s National Oil Company) shall be converted into a State Productive Company.



To summarize, the Reform addressed three key aspects:

- Authorizing private investment for exploration and extraction of hydrocarbons under contracts (i.e., Production Sharing Agreement) with the Federal Government, as further exposed herein below.
- Authorizing oil processing and refining by private companies as well as gas processing, oil and oil derivatives transportation, storage and distribution.
- And, authorizing private investment for electricity generation, commercialization, transmission and distribution under contract with CFE (Federal Electricity Commission).

Despite the Reform's innovating character, the core constitutional reservation, stemming from the hydrocarbons ownership by the Nation and therefore prohibiting concessions, remains intact.

Indeed, the Mexican Constitution rules the exploitation of the Nation's resources through different -relatively open- areas to private investment, depending on the nature of the resource and the activity involved.

Hydrocarbons resources have always been carefully preserved and maintained in a narrow strategic area. Nonetheless, the Energy Reform cracked this historical shell to unfold a new oil & gas special strategic area, thus offering new business opportunities.

INSTITUTIONAL DESIGN

The institutional design is based on the following institutions: Ministry of Energy – SENER, National Hydrocarbons Commission -CNH, Energy Regulatory Commission -CRE, National Control Center on Natural Gas -CENEGAS, Ministry of Tax -SHCP and Mexican Oil Fund -MPF. The SHCP is in charge of determining the tax conditions related to public biddings and contracts; CRE will be in charge of regulating the midstream and some downstream activities; and finally, SENER is in charge of area selection, technical design of contracts and technical guidelines of public biddings.

Under this new structure, the duo CNH-SENER becomes the new key player in the Mexican oil and gas industry as the new designing/awarding authority for private companies and Mexican State-Oil Company -PEMEX. CNH will organize public biddings, assignments, contract executions, technical administration and the supervision of development plans.

Indeed PEMEX will barely have a suggestion right as the CNH detains the power to have the last word as for the fields' assignments as well as for the partnerships if PEMEX decides to migrate its exploratory entitlements (asignaciones). In the same way, the contractual flexibility will mainly be regulated by the CNH along with the SENER, which should be in charge, among other matters, of the contracts' technical design.

The trade of the State's hydrocarbons will be carried out by PEMEX until 2017, year in which new traders might be hired by CNH. Obviously, since various institutions are simultaneously unfolded, the biggest challenge will be to try to walk the same path without overlapping each other's work. Many of these new institutions have no or very few experience in running a bidding process or working with IOCs. Therefore, the apprehension of the private sector is understandable as many years of working-together with PEMEX established a mutual confidence that they will have to build up from scratch once again.

The effectiveness of this transition fully depends on the expertise of the professionals leading these institutions and their capacity to learn from foreign failures and success stories. Although the new Coordination Council for the Energy Sector seems to be an efficient way to coordinate the different institutions, the stability rests on the individuals that may either jeopardize or foster this reform.

The CRE shall supervise and regulate activities in relation with: (i) transportation and storage of hydrocarbons; (ii) distribution of natural gas and oil; (iii) pipeline

transportation and storage of petrochemical products; (iv) regasification, liquefaction, compression and decompression of natural gas; (v) commercialization and retailing of natural gas and oil, and (vi) management of the INSYS -Integrated National System of Transportation and Storage of Natural Gas.

CENEGAS is a decentralized public agency in charge of the management and operation of the Integrated National System of Transportation and Storage of Natural Gas, as well as the capacity reservation contracts related to Natural Gas.

The MPF will work as a trust fund and will receive any income stemming from hydrocarbons activity to redistribute them.

Finally, the ANSIPA will be in charge of regulating and supervising the industry's activities regarding industrial, operative security and environmental matters.

SECONDARY LEGISLATION

On August, 2014, the package of secondary laws that conducts the Mexican Energy Public Policy, were published in the Official Gazette. This package includes new laws, and amendments.

In order to enforce the applicability of the secondary legislation of the Mexican energy sector, additional special regulations were also enacted.

Name	New Law	Amendment / Addition / Replace
HYDROCARBONS LAW	●	
FOREIGN INVESTMENT LAW		●
LAW ON MINING		●
PUBLIC-PRIVATE PARTNERSHIP LAW		●
ELECTRIC INDUSTRY LAW	●	
LAW OF THE COORDINATED REGULATORS	●	
ORGANIC LAW OF THE FEDERAL PUBLIC ADMINISTRATION		●
PEMEX LAW	●	
FEDERAL ELECTRICITY COMMISSION LAW	●	
FEDERAL LAW OF PARASTATAL ENTITIES		●
LAW OF PROCUREMENT, LEASING AND SERVICES FOR THE PUBLIC SECTOR		●
PUBLIC WORKS AND RELATED SERVICES LAW		●
LAW OF THE NATIONAL AGENCY OF INDUSTRIAL SECURITY AND ENVIRONMENTAL PROTECTION	●	
GEOHERMIC ENERGY LAW	●	
HYDROCARBONS INCOME LAW	●	
FEDERAL LAW OF GOVERNMENTAL CONTRIBUTIONS		●
FISCAL COORDINATION LAW		●
LAW OF THE MEXICAN PETROLEUM FUND	●	
FEDERAL LAW OF FISCAL LIABILITY		●
FEDERAL LAW OF NATIONAL DEBT		●



NATIONAL CONTENT

The Contracts will have to reach an average of 35% of National Content, without including exploration and extraction activities in deep-water and ultra-deep-water. Contractors must comply gradually with this threshold of minimum national content that SENER establishes in the corresponding E&E Contract. In 2015, such percentage will start to increase gradually from 25% until reaching 35% by 2025. After 2025, the percentage will be reviewed every five years.

INVESTMENT OPPORTUNITIES

Pemex along with the support of private entities, such as the PMI Comercio Internacional, are looking to position themselves in the international market by creating infrastructure works for the hydrocarbons transport.

One of the most important projects is the Trans-Oceanic belt which is a Poliduct that will connect Pajaritos, Veracruz to Salina Cruz, in Oaxaca. Some of its principal objectives are:

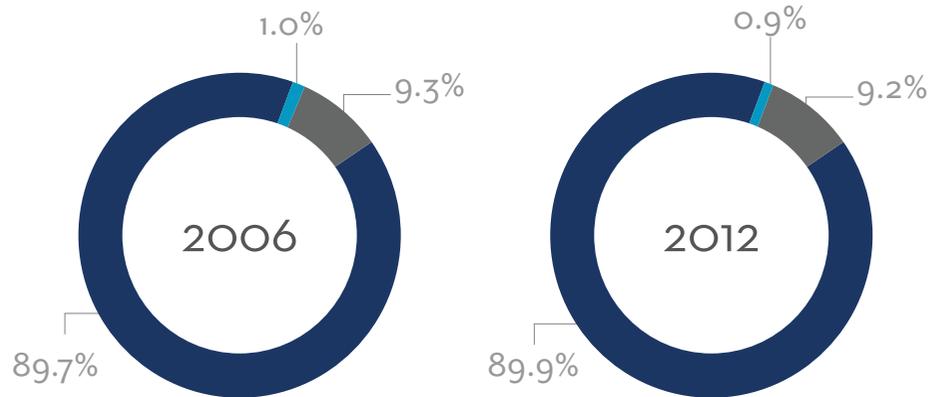
- (i) The transport of hydrocarbons from the Gulf of Mexico to the Pacific Coast, and;
- (ii) To reach the markets from the West Coast of USA and Asia. The project investment estimated amount is 6 billion Mexican pesos.

Likewise, Mexico is creating two infrastructures projects for the fuel transportation:

- (i) First Project: Will transport products from Tuxpan, Veracruz to Arco Norte of the Valle de México, and;
- (ii) Second Project: The North System that will make possible the transportation from Brownsville, Texas to Reynosa, Tamaulipas and up to Zacatecas. Those projects will be concluded and in operations in the next two years¹.

Regarding the exploration and extraction of hydrocarbons, there are some infrastructure

OIL & GAS EXPORT VALUE BY ITEM IN 2006 AND 2012



	2006		2012
● Crude	89.7%	▶	89.9%
● Petroleum Products	9.3%	▶	9.2%
● Others	1.0%	▶	0.9%

SOURCE: INEGI

<http://cuentame.inegi.org.mx/economia/petroleo/comoseformo.aspx?tema=E>

projects established within the Program, such as, the one in the Ku-Malooob Zaap field, Campeche, which includes the operation and maintenance of oil producing wells, drilling wells, and construction of additional infrastructure for the production management of new fields. The total investment for such activities, are about 250 billion Mexican pesos.

MEXICO'S BIDDING ROUNDS AND PEMEX'S FARM-OUTS

As SENER has pointed out, the renewed energy model aims to maximize the country's revenues derived from oil and gas exploration and production activities. In order to attract private investment, the State is carrying out, since early 2015, bidding rounds to award E&P contracts to bidders that offer the best

economic conditions to Mexico. The first tender procedures have attracted investors from all over the world, either to participate as operators or as financial partners to a consortium.

After Pemex transformation into a state productive company, it is allowed to participate in the bidding procedures, either independently or as part of a consortium with other entities. Therefore, Pemex continues to be attractive to both, financial parties or industrial co-venturers given its market positioning, deployed infrastructure and decades-long experience.

¹http://www.pemex.com/prensa/boletines_nacionales/Paginas/2014-116_nacional.aspx

In addition, throughout the following years, Pemex will establish various partnerships to develop oil and gas fields under a joint venture scheme as part of its Farm-Out process. The partner companies are selected through bidding processes.

With the tender rounds and with the first Farm-Out associations, the State is aiming to achieve its goal of increasing its oil production and attracting state of the art technology and production technics.

AGRARIAN AND COMMUNITIES MATTERS

Agrarian, social and environmental regulations will have to be tested in real terms, as Pemex will no longer be the only player dealing with such sensitive matters. The agrarian, territorial and urban development Ministry should be in charge of issuing guidelines and contract models for land use and superficial occupancy. They should also act as mediator for disputes between contractors and landowners / contractors. Agrarian issues might be a relevant challenge for the success of the Reform.

In collaboration with our maritime practice when appropriate, we advise IOCs, independent producers, drilling companies, oil rig operators, integrity companies and other key players in all type of exploration and production activities both onshore and offshore.

Our service includes representation in public procurement processes related to the construction of oil and gas pipelines, LNG terminals and other downstream facilities nationwide.

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REAL ESTATE & TOURISM

“... Mexico has continued to grow, posting over 2013 major investments in corporate and commercial centers with an investment of about USD\$850 million, either by direct investment or through Mexican Real Estate Investment Trusts, which are denoted as FIBRAS¹ in Mexico.”

REAL ESTATE

In Mexico, real estate is one of the most important sectors for national investment because of its major infrastructure projects, such as those related to tourism, industrial parks, residential complexes and shopping centers throughout Mexico. Hence, investment opportunities in real estate are vast and dynamic.

DWELLINGS

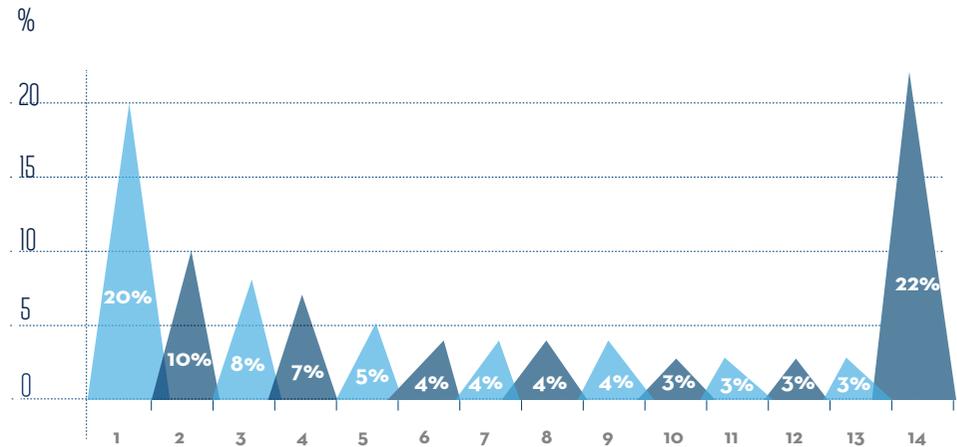
The housing sector has a social nature, leading government entities at all levels to provide financial incentives for the development of projects, both for developers and consumers, thus encouraging healthy market growth. An example is the government-driven growth of public and private financing plans through the National Institute for the Promotion of Housing Workers (INFONAVIT) and the Fund for Housing Workers (FOVISSSTE).

Government policy seeks to attract foreign capital, thus a constitutional reform is underway to allow foreigners to acquire property for residential purposes in restricted areas.³

INDUSTRIAL

Mexico presents a unique investment opportunity in real estate industry due to its strategic geographical location, serving as a connection point between North and

HOUSING DEMAND



- | | |
|---------------------------|-------------------------|
| 1. Distrito Federal (20%) | 8. Baja California (4%) |
| 2. Estado de México (20%) | 9. Coahuila (4%) |
| 3. Jalisco (8%) | 10. Puebla (3%) |
| 4. Nuevo León (7%) | 11. Tamaulipas (3%) |
| 5. Guanajuato (5%) | 12. Sonora (3%) |
| 6. Chihuahua (4%) | 13. Querétaro (3%) |
| 7. Veracruz (4%) | 14. Otros (22%) |

¹ FIBRAS stands for: Fideicomisos de Infraestructura y Bienes Raíces.

³ The restricted area includes within 100 kilometers of borders, and within 50 kilometers of coastlines.



South America, as well as its 44 free trade agreements with several countries worldwide.

Various local governments seek growth and decentralization by providing incentives to investors conducting activities in strategic areas, such as: Guanajuato, Queretaro, Nuevo Leon, Hidalgo and the State of Mexico, as well as in other states bordering the United States of America given the abundant manufacturing activity in Mexico.

Not only do federal authorities drive industrial growth, state programs and institutions also seek to attract investment. The federal government, through the construction of various freight rail lines in the states of Guanajuato, Veracruz and Aguascalientes, will boost the industrial development of these states and surrounding areas.

In addition, the federal government, have large industrial parks and offices for large corporations, which present attractive investment opportunities.

In short, the industrial growth for the next 6 years in Mexico is assured and represents attractive options for domestic and foreign investors.

COMMERCIAL

Mexico is a logistical hub optimally located for trade with various parts of the world, allowing the optimal trade routes to Europe, Asia and Latin America.

Despite the recent housing bubble, whose effects caused a global ripple, Mexico has continued to grow, posting over 2013 major

investments in corporate and commercial centers with an investment of about USD\$850 million, either by direct investment or through Mexican Real Estate Investment Trusts, which are denoted as FIBRAS⁴ in Mexico.

Typically, malls in Mexico have developed two approaches: (1) department stores and (2) self-service stores, which encourage the development of surrounding real estate.

According to the National Statistical Directory of Economic Studies, during 2012 there were about 3,700 supermarkets in Mexico, which is evidence of the growth in the commercial development. Consequently, the commercial real estate sector represents great investment opportunities with excellent returns due to great demand in Mexico.



⁴ FIBRAS stands for: Fideicomisos de Infraestructura y Bienes Raíces.

TOURISM

Mexico is certainly one of the leading tourist destinations worldwide thanks to its 11,122 km of coastline, 187 archaeological sites and 55 locations called magical towns which include various colonial cities rich in history. Thus, Mexico is one of the world's most attractive options for multimodal tourism development.

In the first half of 2013 Mexico received revenues of over 7 billion dollars from tourism activity, which implies an increase of 7.2 percentage points over the same period in 2012, evidence of the importance, growth and impetus of the tourism sector.

Today in Mexico are areas called Integrally Planned Centers (CIPs), which are locations offering high-class tourist services. These CIPs are located in Cancun, Ixtapa, Los Cabos, Loreto, Marina Cozumel, Nayarit, Playa Espíritu and Huatulco, and are home to approximately 250 hotels, representing 55% of the national tourism revenue and 40% of international tourism revenue.

CIPs are great investment opportunities and consequently pose new investment scenarios for Mexican tourism authorities as they represent strategic points for national and international resources to develop.

In Cancun the following projects are in development: Tajamar is a mixed urban center for commerce and housing on 64 hectares that will include a public golf course, a marina, luxury homes and condos. In addition, plans exist to develop hotel zones, a golf course, single family lots, two beach clubs and a shopping area all within the same complex called Puerto Cancun.

In Ixtapa, the federal government seeks to create golf courses, areas for sport fishing, a cruise dock, a hotel, spas, residential villas and beach clubs. The most important projects of the current administration are Majahua Cantiles and Lomas de Playa Linda. The former will have 2,745 homes. The latter will be located on 60.42 hectares and have a hotel with a capacity of 1,050 rooms and 2,171 homes.

VISITORS

	January - December			
Transportation	2012	2013	Var %	% with respect to 2013
INDIVIDUALS (THOUSANDS)				
AIR	11,361	12,223	7.6%	85%
GROUND	2,304	1,920	-16.7%	14%
TOTAL	13,665	14,143	3.5%	100%
EXPENDITURE (USD MILLIONS)				
AIR	9,544	10,593	11.0%	95%
GROUND	655	580	-11.4%	5%
TOTAL	10,199	11,173	9.6%	100%
% EXPENDITURE (USD)				
AIR	840	867	3.2%	N.c
GROUND	284	302	6.3%	N.c
TOTAL	746	790	5.9%	N.c

In Los Cabos there is a proposed development of Desert Hills, which comprises 380 hectares with a capacity for 58 houses and several commercial areas, as well as the proposed development of Rancho Misión with an area of 1.16 hectares and 22 houses.

Loreto is the first sustainable regional tourism development in the country that expects to launch a project called Puerto Escondido consisting of 891.23 hectares. The project will include a marine market, golf course, residential tourism, a dock, a

marina, a cruise terminal, shopping and entertainment centers and approximately 9000 rooms. In addition to the above, will the project named Golden Beach, which offer a potential capacity in the first stage for 3000 quarts, focusing mainly high-end tourism, golf and nature market, offering golf courses and spas.

There are plans to develop a marina in Cozumel with a capacity for 333 boats in a total area of 3.6 hectares that will feature tourist recreational services, a yacht club, a marina and fuel stations.

INTERNATIONAL TOURISTS

2010 - 2015



55%
USA



13.6%
Canada



3.5%
UK



2.4%
Spain



2.3%
Brazil



23.2%
Others

SOURCE: Sistema Integral de Operación migratoria



Recently, Nayarit has been considered a strategic location for the implementation of a CIP. The project in development is located in Litibú and will promote high quality standards for water sports and golf. Litibú will be the first point in Nayarit north of Nuevo Vallarta and will have links to existing tourist cities such as Puerto Vallarta, home to one of the busiest international airports in the country. Litibú currently has a golf course with 18 holes designed by Greg Norman, which will form a fundamental part of the tourism project for the area and will include 4,100 units for tourist accommodation.

Playa Espíritu is a prime location on the Sea of Cortez in Sinaloa whose project involves the building of hotel and houses comprising 44,013 units on an area of 2,381 hectares located along 12 km of beaches. This development will also be sustainable by focusing its attractions on eco-tourism.

In Huatulco, there are plans to develop the areas known as Tahué and Tejón, La Bocana, Punta Santa Cruz, and La Entrega to generate a high demand for tourism in the region. Modernization projects are in place for the infrastructure services of Cacaluta Bay and Órgano y Maguey to attract prestigious hotel and real estate firms to build villas and condominiums, beach clubs, a golf course and clubhouse.

Seeking to diversify its tourism offerings, the federal government has set aside a portion of the budget for the conservation and improvement of so-called “magical towns” to improve investment opportunities in these areas for providers of tourism services and hospitality.

There is great demand for various branches of tourism, such as culinary tourism, health tourism, cruise tourism, social tourism and eco-tourism. Consequently, there are different and attractive investment options throughout the country, both for development of tourist housing complexes, and for specialized tourism services.

Currently, the tourism infrastructure in Mexico has greater than 650 thousand hotel rooms, 64 of 76 airports provide

international flights, there are 19 cruise ports and 133,000 km of roads.

The Mexican government has proposed the construction of a passenger train linking the peninsular states of Quintana Roo and Yucatan, both states with rich tourist attractions.

Among other projects the federal government has proposed are: constructing an airport in Palenque, modernizing the airports of Chetumal and Merida, expanding the airport of Puerto Vallarta and resolving the problem of high-volume use Mexico City’s airport.

In addition, constructing timeshares is an attractive investment option because of the flexibility of the law and various benefits state governments provide.

In sum, the opportunities Mexico offers to invest in real estate and tourism are very attractive and profitable. The NDP and sector programs in these fields also indicate that the Federal Government will promote and achieve optimal growth and development of these areas, encouraging continued investment and the achievement of the above-mentioned projects.

Our services include providing counseling with projects in the public and private sector: acquisitions and dispositions, real estate finance, property finance, retail, real estate investment trusts (REITs), debt and equity financing, development, construction, leasing and asset management, real estate tenants and occupiers, development/regeneration, joint ventures, real estate M&A and cross-border investment, residential and planned development, retail properties.

Our clients include real estate funds, institutional investors, financial advisors, lenders and other capital providers, builders, developers, project owners and investors, as well as many others involved in the real estate and tourism sector.

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RENEWABLE ENERGY

“... Law on Climate Change (GLCC) mandates that 35% of electricity be generated from renewable energies by 2025, and to reduce greenhouse gas emissions by 30% over the baseline by 2020.”

APPROACH TO THE STRUCTURE OF THE RENEWABLE ENERGIES MARKET.

A public policy promoting sustainable energy by increasing energy efficiency and the use of renewable energy in Mexico in the long run will help achieving “A Prosperous Mexico”, one of the NDP’s objectives. Renewable energies have been a part of Mexican public policies for decades, but it is the first time they occupy such an important place in the NDP.

The country’s energy transition towards cleaner and renewable energy technologies is imperative to achieve the growth and prosperity set forth in the NDP, and to address the challenges of energy security and diversification reflected in the NDP. To achieve these advances designing appropriate financial schemes, overcoming resistance and structural barriers, and enforcing existing regulations in the renewable sector is required.

BASIC DIAGNOSIS: THE STATE OF RENEWABLE ENERGY IN MEXICO

Mexico is currently one of the most attractive countries for the development and investment in renewable energies as it has

large amounts of natural resources. To meet the needs the NDP identified, it is important to channel these energies efficiently. For this, Mexico needs resources and private investment to modernize access to users and consumers, as well as to promote renewable energies and its economic and social benefits.

As of now, the Energy Reform does not include provisions related specifically to renewable energies or its development and/or implementation. In this respect, the Federal Government has announced a Green Legislative Package with incentives for

renewable energies (we assume that it will include efficient cogeneration). According to the Federal Government announcement, the “Green Legislative Package” will include subsidies for green power generation. At the time of publishing, there is no further information on the Green Legislative Package available.

Regarding renewable energies, the Law includes the Clean Energy Certificates (the “Certificates”). A more detailed explanation regarding the Certificates is included herein below.

APPROACH TO THE STRUCTURE OF THE RENEWABLE ENERGIES MARKET





REGULATION IN THE RENEWABLE ENERGY SECTOR

Currently, the General Law on Climate Change (GLCC) mandates that 35% of electricity be generated from renewable energies by 2025, and to reduce greenhouse gas emissions by 30% over the baseline by 2020.

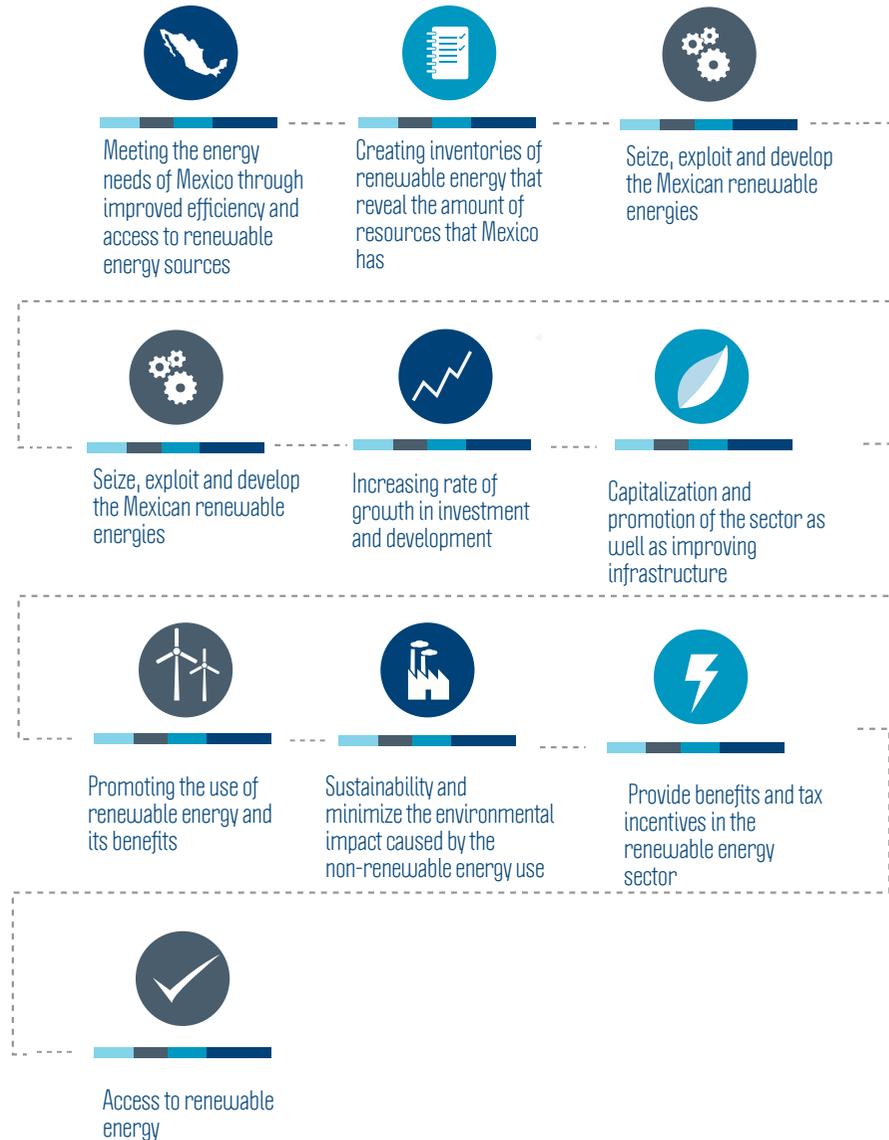
Additionally, the Law on the Use of Renewable Energy and Energy Transition Financing, obligates SENER to develop a Special Program for the Development of Renewable Energies and a National Strategy for Energy Transition and Sustainable Use of Energy.

Moreover, the Law introduces in Mexico the Certificates as an instrument to promote clean energy power generation. In this respect, power generators, qualified users and suppliers will have the obligation to acquire this Certificates in order to comply with the percentage of clean energy set forth by SENER, for a specific period. The Certificates will be issued by CRE according to the "Guidelines establishing the criteria for the granting of Clean Energy Certificates (the "Guidelines")". The Guidelines are in force since January 1st, 2015. Such Guidelines establishes that each clean power generator will have the right to receive a Certificate per Megawatt-Hour generated from clean power plants.

The Certificates will be traded within the wholesale electricity market between the market participants (i.e. a supplier will be able to fulfill its clean energy requirements by acquiring the Certificates in the wholesale electricity market from a clean power generator). The price per Certificate will depend in particular on the mandatory percentage of clean energy which has not yet been established.

ECONOMIC OUTLOOK IN THE RENEWABLE ENERGY SECTOR

The penetration of renewable energies in Mexico has had significant growth, yet it has



also been notoriously fickle. In 2010, there was a lot of investment in this sector. Mexico was the country with the second largest increase in renewable energy investment with a growth rate of 548%. However, over the period from 2007 to 2012, Mexico was not in the top ten countries with the largest investment in this area.

To achieve the NDP's goals, it is necessary to implement a long-term strategic plan for renewable energies. There should be unmistakable signs of which and how many resources currently exist in Mexico. Therefore, it is important to create public inventories of renewable energy. These inventories should integrate relevant information about the potential of renewable resources. Thus, the

inventories will facilitate long-term strategic planning of the resources in Mexico, which would achieve the growth and prosperity goals contained in the NDP.

The lack of capitalization of this sector is reflected in the slow progress in fulfilling the goals the Federal Government has established. For 2012, SENER reported that biomass and bio-gas were the only renewable energies that reached their targets. In connection to electricity generation, only mini-hydraulics, biomass and bio-gas reached their targets. Thus, to trigger Mexico's potential as a producer of renewable energies, a strategy that promotes its use and access is required.

The development of renewable energy in Mexico, though slow, is on a positive track. However, for a country that is among the 20 most attractive in terms of the market for renewable energies, having a share of less than 1% of total global investment is not enough. To increase investment creating legal certainty, adequate financial regimes, and promoting the benefits that renewable energies provide is required.

To achieve this, giving renewable technologies some type of benefit or economic incentive is necessary. It is important that the Government publishes new conditions governing renewable energies generation as soon as possible. In addition, the government must indicate how it intends to pursue private investment of sustainable technologies in order to achieve the desired energy matrix. Otherwise, there is a danger that investment on renewable projects will stagnate.

According to the CFE and SENER, the following are among the benefits of using renewable energies: care and improvement of the environment and the health of the inhabitants of Mexico; development of Mexico's industrial capacity and creation of jobs; compliance with the international commitments on the environment and climate change; diversification of electricity generation; decreased variability in electricity generation costs; private participation in social and economic investments; decrease in the nation's dependence on hydrocarbons, and rural development in regions near renewable energy sources.

With respect to the Mexican renewable energy sector, one of the more ambitious goals contained in the National Infrastructure Program 2014-2018 is to achieve interconnection of clean technologies to the grid. Expanding and developing transmission lines will provide alternative routes to carry electricity from the generation point directly to the users, increasing efficiency and security of the system, while, allowing the development of generation projects based on renewable energies. One of the most important challenges for the power sector is to increase the efficiency, availability, reliability and security of the power

distribution systems, which means, among others, the deployment of "intelligent lines". Through investments and modernization in distribution lines, it will be possible to supply electricity to potentially productive regions within Mexico and eventually reducing electricity prices.

ECONOMIC OUTLOOK IN THE RENEWABLE ENERGY SECTOR

- 1 Create public inventories of renewable energy, to exploit the natural resources in Mexico
- 2 Mexico is among the 20 most attractive countries in terms of the market for renewable
- 3 Implementation of a long-term strategic plan for renewable energies
- 4 Promote utilization, access, and economic benefits
- 5 Generate legal security, designing appropriate financial schemes and tax incentives
- 6 Ensure the access to efficient and clean energies, to trigger Mexico's potential

Our clients include independent power producers and alternative energy development companies – including hydro, waste- to energy and biomass..

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TELECOMMUNICATIONS

“Mexico is pursuing long-term foreign investment to materialize the ambitious reform efforts in the sector”.

As part of the ambitious structural-reform package designed to lift Mexican economy and to create new business opportunities, the Telecommunications legal framework has undergone its major transformation in decades. Within the far-reaching tasks, not only changes in the sector’s regulations have been included, but also significant changes to the administration and governmental bodies have taken place.

From the transition from analogue to digital television -the so called digital switch over- (2015), to the creating of an independent regulatory body with broad powers to replace the Federal Telecommunication Commission, along with the tendering of new television networks, Mexico is pursuing long-term foreign investment to materialize the ambitious reform efforts, with overseas participation particularly important for infrastructure investments in the sector.

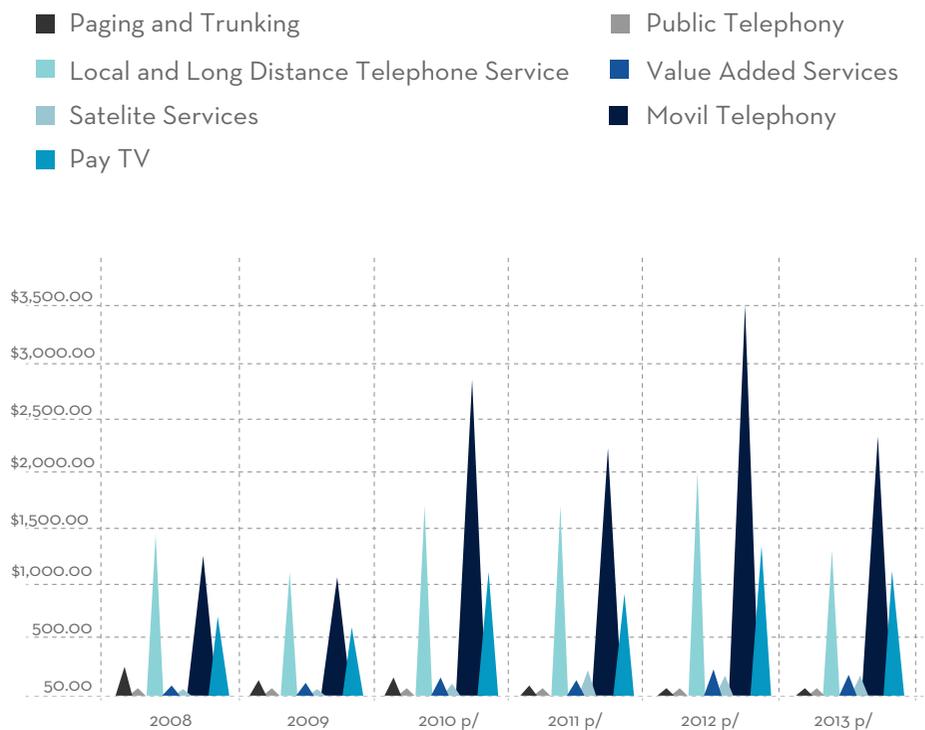
Mexico’s lack of competition in the telecom and broadcasting sectors for decades, generated inefficiencies that translated into significant costs on the Mexican economy which negatively impacted the welfare of its population. The sector is characterized by high prices (among the highest in the OECD countries) and lack of competition which results in a low penetration rate of services and poor development of the much needed infrastructure.

Although markets for fixed and mobile telephone, broadband and cable television

have grown, Mexico fails when compared with other OECD countries that have developed more open and competitive markets. With the new legal framework, the potential market for investment has been

boosted, considering that prior to the reform, barely 30% of houses had internet access, when some other countries reach well beyond 70%. Current interest in the Mexican market is understandable.

INVESTMENT PER SERVICE (US\$ Millions)





The recent reform authorizes 100% of direct foreign investment in telecommunication and satellites communications; while radio and television broadcasting has gone from prior restriction of 0% to a new limit of 49% of voting stock. Governmental plans for new investments encompasses the construction of a "Network Backbone", intended to duplicate the current infrastructure and the creation of a "Shared Network" that facilitate to provide broadband services to all regions within the Mexican territory.

LEGAL FRAMEWORK, THE FEDERAL BROADCASTING AND TELECOMMUNICATIONS LAW (FBTL)

The recently enacted FBTL governs the use, enjoyment and exploitation of the radio-electric spectrum, the public telecom network, access to the active and passive infrastructure, orbital resources, satellite communication, provision of public services

of telecommunications and broadcasting and its convergence, users' and audiences' rights, the competition process and the free competence in these sectors.

In the context of the FBTL, the installation, operation and maintenance of infrastructure destined to public telecommunication networks services, broadcasting stations and supplementary equipment are considered of public interest and utility.

THE FEDERAL TELECOMMUNICATIONS INSTITUTE (FTI)

The FTI has been created as an autonomous public agency, independent as to its decisions and operation, with own legal capacity and resources and is empowered to regulate and promote competition and efficient development of telecommunications and broadcasting.

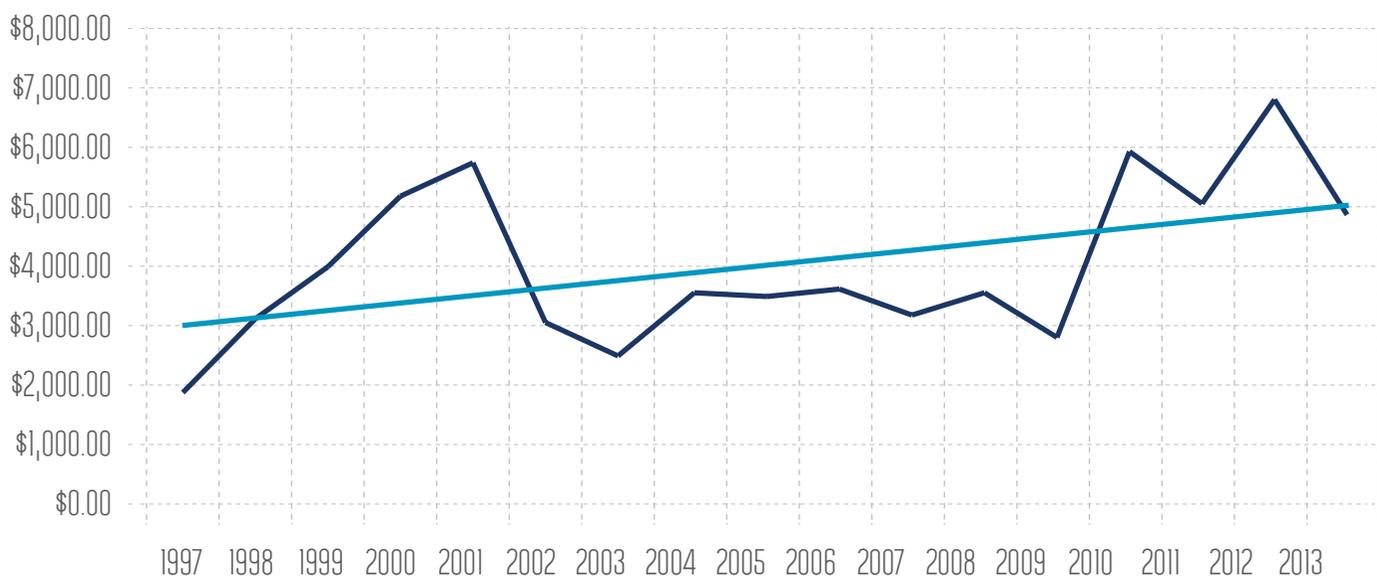
For the first time in Mexico, the telecom regulator will be fully independent from the

umbrella of the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes), both from the legal and administrative/financial perspective.

The FTI is responsible for the regulation, promotion and supervision of the use, enjoyment and exploitation of the radio-electric spectrum, orbital resources, satellite services, public telecommunication networks and broadcasting and telecommunications services provision. It is also responsible to guarantee equitable access to infrastructure and other essential goods. It is worth mentioning that the power to regulate TV and radio content and issue rules to that effect, remains with Ministry of the Interior (Secretaría de Gobernación).

As detailed further, the IFT's sanctioning abilities are far-reaching. IFT is entitled to regulate asymmetrically, to impose sanctions to monopolistic practices, to impose administrative fines and even require the divestiture of market participants in some cases.

INVESTMENT IN TELECOM - (US\$ MILLIONS)



CONCESSIONS REGIME

With the idea of incentivizing the competence in the sector, and unlike in the previous regime where a special concession was needed for each particular telecom service, the FBTL contemplates a unique concession scheme for fixed services by virtue of which the FTI would entitle a private entity to provide any type of telecom and broadcasting services, in a convergent fashion, by means of wired networks. Mobile services may be rendered through a specific concession for the use and exploitation of the radio electric spectrum or orbital resources.

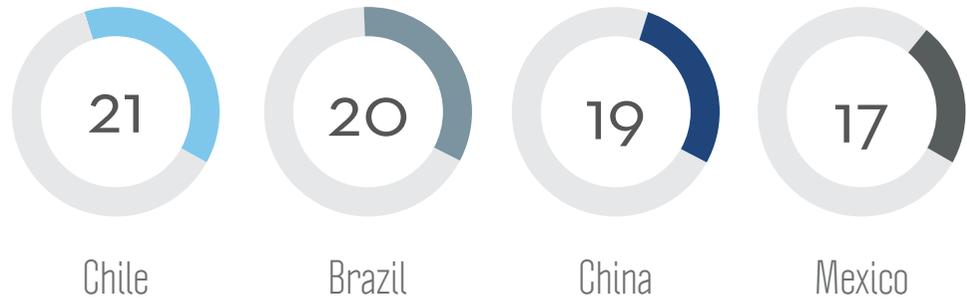
In such regard, concessions to use and exploit orbital resources should be granted by means of a public bidding process. The federal government will be entitled to receive an economic retribution. In the same context, authorizations to use and exploit frequency bands associated with foreign satellites (from countries with which Mexico has a treaty for satellite reciprocity) can be obtained by means of a written application request. Upon fulfilling all the financial, technical and legal requirements, the concession will be granted. In these types of operations, it is expressly stated that satellites may be operated from abroad.

SHARED NETWORK

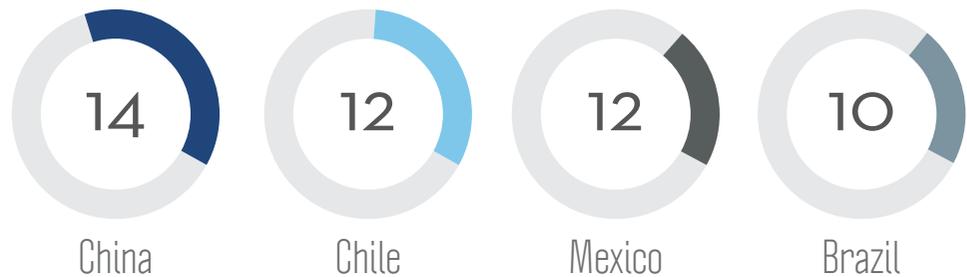
Pursuant to the 2013 reform, the Government shall install a shared network of wholesale telecommunication services to promote effective access to broadband communications and telecommunication services. Such network shall be conformed by some of the spectrum released after the analogue blackout, infrastructure from the Federal Commission of Electricity (Comisión Federal de Electricidad) and certain other governmental assets. The shared network would accept both public and private investments and would be operated by means of a concession title which will be granted to a public entity or public-private partnership.

TELECOM PENETRATION (% POPULATION)

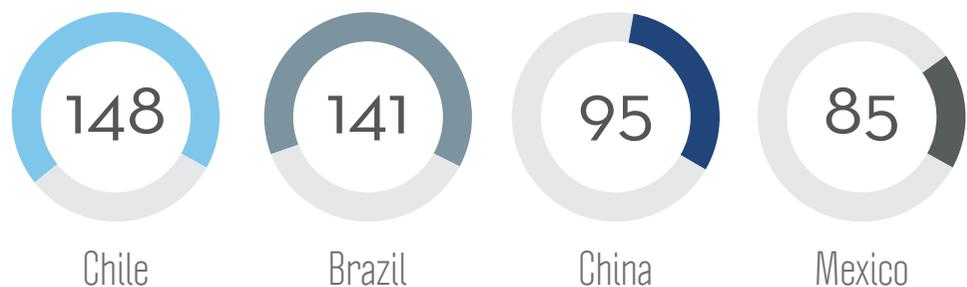
FIXED LINES TELEPHONY



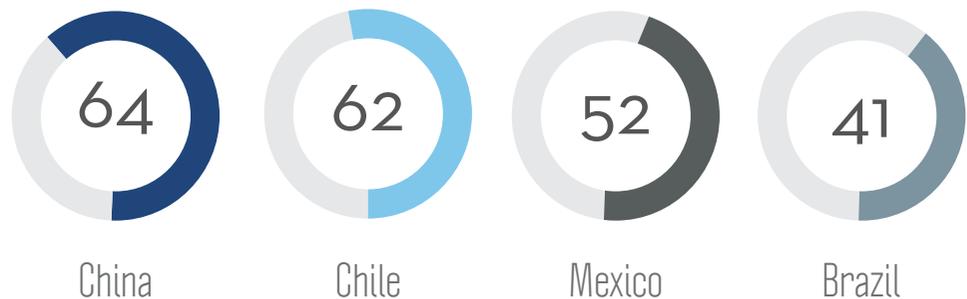
BROADBAND



MOBILE TELEPHONY



PAID TELEVISION



Source: Instituto Federal de Telecomunicaciones (IFT) Statistics Reports.



The shared network shall start operations before the end of 2018, and it is expected that this new available infrastructure will foster the entry of new competitors and the growth of small local operators.

ASYMMETRIC REGULATION

The telecom legal framework includes criteria for determining whether there is a preponderant economic agent in each of the telecommunications and broadcasting markets, and in such case certain asymmetric measures can be imposed by the IFT based on such determination to protect fair competition and trigger consumer benefits.

Notably, the regulator has been empowered to order divestitures and the unbundling of dominant networks. In such regard, any company concentrating over 50% of a relevant market for radio and television or telecom services (including fixed-line and mobile telephone, internet and pay television) is considered “preponderant” and subject to IFT’s decision as to the determination of penalties. Note however that a competitor’s share of a specific market can be below 50% and still be considered to have “substantial market power” if after IFT’s analysis, it concludes that such player has taken advantage of its market position to generate excess profits or otherwise has implemented anticompetitive practices. Critics have raised the fact that the amended set of laws does not provide a specific definition of “substantial market power” and in such regard IFT is fully empowered to determine and calculate on its own on a case-by-case basis.

Experts have pointed out that the Mexican legal framework model aims to enhance the sector by following two basic paths: directly reducing prices and improving quality; and fostering competition in the sector (which indirectly will result in a reduction of prices and improvement of quality).

MARKET PERSPECTIVES. CHALLENGES AHEAD

Certainly the rules of the Mexican telecom and broadcasting markets have been remodeled, thus these sectors are stimulating opportunities to more competition and new investment.

Mexican government is eagerly promoting the convenience of the telecom reform by pointing to its immediate benefits. After decades of unsuccessful endeavors to balance Mexico’s highly concentrated telecom market, the performance of the IFT so far has been eye-opening. Costs for certain services, like mobile roaming, have already gone down, and may eventually disappear. Access to some other services has certainly improved, for instance, restricted TV subscribers now have access to open air broadcast channels, thanks to the must offer/must carry regulations. Of course, the good start does not guarantee long-term regulatory efficacy, but it certainly shows a greater ability to use regulations to promote market effective performance in the telecom sector.

Along with the energy reform, the telecom market transformation has positioned Mexico in the loop regarding international market. In many respects, the effects of these reforms will depend on how the relevant participants adapt to the new regulatory framework, and how the markets develop in response.

We assist our telecommunications clientele in obtaining permits and certificates before the TMT Authority. We also advise on the use of frequencies and draft telecommunication agreements regarding aggregate services and provide advice concerning e-transactions.

Our telecommunications, Internet and New Technologies experts stand at the vanguard of evolution in these sectors. We have advised clients across the communications and information markets in finding inventive alternatives from both the transactional and the regulatory standpoint.

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GENERAL TRANSPORTATION AND INFRASTRUCTURE

Mexican transportation infrastructure will have a major boost, which will include the construction of new railroads and train stations, the enhancement of current roads and the edification of state of the art airports.

The transportation and communications sector is essential for enhancing regional development, employment generation and social welfare; it is also a factor for increasing productivity, competitiveness and national economic growth.

The “Infrastructure Investment Program for Transports and Communications 2013-2018”, entails all the actions committed by the current administration. The highlights of such program are the development and conservation of the federal road network; construction and modernization of roads, bridges, railways, ports and airports, in order to reduce traveling time and logistics costs, as well as improving users’ safety and extending social coverage in telecommunications¹.

APPROACH TO THE INDUSTRY MARKET STRUCTURE

Ground transportation

Recent economic studies² have shown evidence regarding the lack of competition prevailing in the market of passengers motor carrier services providers. In this sector, there are many aspects that can be improved in Mexico; in order for that to happen, the motor carrier sector needs to have fair and adequate competition in the market.

According to the above-mentioned studies, there are two major market distortions that create today’s prevailing conditions:

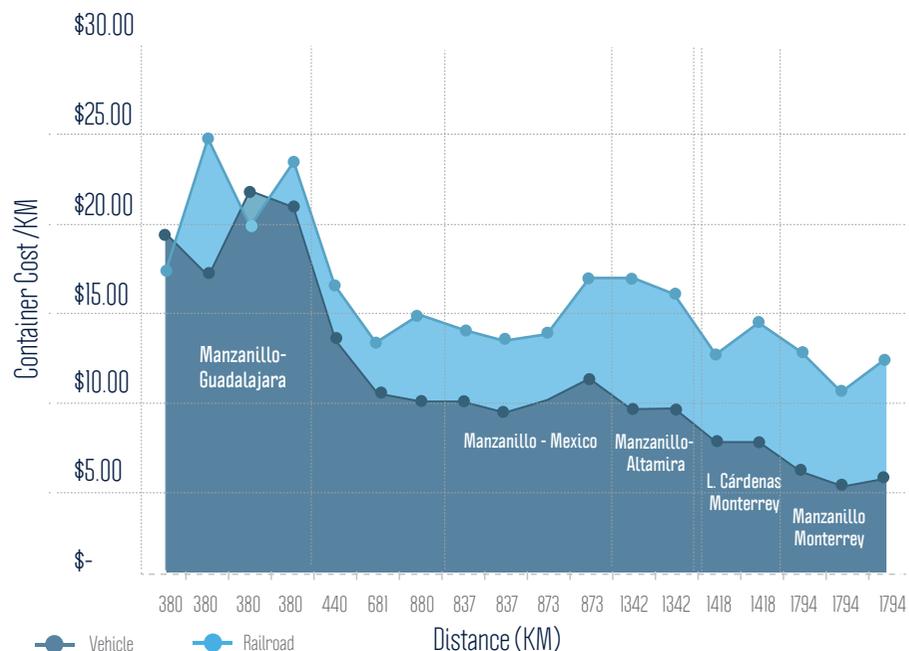
1. The traditional organization of Motor carrier companies in Mexico.
2. Barriers to enter and compete in the passengers’ motor carrier transportation market.

improve transportation and communication connectivity for the population’s benefit.

These projects will be built by private companies chosen by the government through a bidding process in cities in which the workforce is concentrated, e.g. the Federal District, Toluca, Querétaro and Yucatán Peninsula.

During the following years the Mexican government is planning to build several train stations to connect different cities and

CONTAINERS VEHICLE AND RAILROAD TRANSPORTATION FEE (PESOS/CONTAINERS/KM)



SOURCE: Mexican Transport Institute (Instituto Mexicano del Transporte)
<http://www.imt.mx/micrositios/integracion-del-transporte/servicios-de-investigacion/desarrollo-estadistico-del-sector-transporte.html#prettyPhoto>



Air Transportation

The last couple of years have been great for aviation in Mexico, as they have reached records of transported passengers, recording also high growth rates. During 2012, 618 regular origin-destination routes were operated; 355 international and 263 national, 36 more than in 2011, achieving greater connectivity.

The total number of transported passengers on regular service and domestic and international charter have increased considerably during past years, meanwhile, cargo volume transported has decreased.

Regular service in 2013 reflects a higher

traffic of transported passengers in comparison to 2012, by transporting 60 and 55.2 million passengers, respectively. Domestic transportation increased in 8.5% compared to 2012 and the international service also presented a growth rate of 6.9% by transporting 1.47 million more passengers than 2012.

BASIC DIAGNOSIS

Ground transportation

The average quality of infrastructure is low and the country's connectivity must be increased. It is necessary to encourage investment in this sector, thus, increasing private participation is required.

One of the main challenges is increasing

safety. Urban mobility must improve, since there is a high rate of motorization; there is a low rate of urban density and in some cases, there is not enough massive urban transportation infrastructure.

Notwithstanding the current conditions, the passenger transportation in Mexico is done mostly by land (97%), while the percentage of the population traveling by air does not exceed 2%³.

The construction of modern train stations is a solution to improve the country's connectivity and infrastructure in order to encourage both national and foreign private investments in this sector, but that will not be the only benefit since it will provide the citizens a better quality of life and will reduce transportation maintenance costs.

HIGHWAY, RAILWAY AND PORT INFRASTRUCTURE IN MEXICO



Highway, railway and port infrastructure in Mexico.
SOURCE: Programa Nacional de Infraestructura 2014 - 2018
Secretaría Comunicaciones y Transportes

Air Transportation

As of the failed reorganization, which ended in the bankruptcy of former airline Mexicana de Aviación, some positive impacts did come out of this crisis such as: restructure of the regular passenger market, allowing smaller airlines to increase both its domestic and international operations, regional operations migrated to nationwide operations and nationwide operations transformed into international operations.

LEGAL FRAMEWORK

Ground transportation

- North America Free Trade Agreement (NAFTA); since 2004 capital investment of U.S. and Canadian companies in the motor carrier industry is allowed up to 100%.
- National legal framework: Federal Act of Roads, Bridges and Motor-Carrier Transportation and the Federal Motor Carrier and Auxiliary Services Regulations.

Air Transportation

- Mexico is a signatory country of the following international treaties on Civil Aviation (Chicago, Warsaw and Montreal).
- As of December 31st, 2013, Mexico has entered into 48 bilateral aviation agreements⁴ (19 with countries of America, 16 with European countries and 13 with Asian countries).
- National legal framework: Civil Aviation Act and its Regulations.

ECONOMIC PERSPECTIVE

Ground transportation

The Motor carrier industry in Mexico is a pillar of the national economy; its main task is to expand Mexico in the economic sector. This industry accounts for 4.9% of overall GDP and over 2 million direct jobs, moving 82% of freight and 97% of passengers⁵.

Speaking about the need to create direct jobs it is important to point out that the construction of the train stations and the project development will generate thousands of job opportunities, increasing as consequence, Mexican workforce.

The introduction of the NAFTA region companies to the Mexican market will improve competition in the passenger motor carrier industry. This will bring a positive impact to consumers (passengers) as they will receive quality services, higher safety standards, better prices, and more route options.

Air Transportation

The Mexican aerospace industry was born in the early twenty-first century, it's a young and dynamic industry that on average grows 20% annually and is the world's fifteenth largest market⁶.

The Mexican aerospace industry is geared towards international markets. It provides mainly the U.S. (81%), secondly to France and Germany respectively 2.8% and thirdly, Canada and also the UK with 2.6% of its total production⁷.

Mexico is ranked as the ninth provider for the U.S. aerospace market and the sixth for the European Union⁸. Foreign and domestic investment in the sector exceeded one billion dollars in 2010, making a total of three billion dollars in the last three years.

INVESTMENT OPPORTUNITIES

Regarding further transport and communication projects, there is the Trans-Peninsular train that will run from Merida to Cancun, and the railway project that will connect Mexico City with Queretaro.

The Trans-Peninsular train, considered the Merida to Punta Venado (Quintana Roo State) route; eventually the local investors and hotel sector requested the route extension of the route to Cancun. The initial investment estimation was of 18 billion Mexican pesos; nevertheless the train

extension will increase the amount.

The Intercity train will connect Mexico City (Buenavista Station) with Queretaro (Bernardo Quintana Station) and will pass through 22 municipalities.

Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes –STC) has determined that the Intercity train will share the railroad track with the Suburban railway from Buenavista Station to Cuautitlan Station at a 90 kph speed, and once the Suburban shared railway route is completed, the Intercity train will reach a top speed of 300 kph. The estimated travel time for the Mexico City to Queretaro route would be of less of 60 minutes. The Intercity train estimated investment amount is expected to reach 43 billion Mexican pesos.

Another important infrastructure work is the new airport of Mexico City. The new Airport will have the capacity to transport 120 million of people each year; which is four times more than the current capacity of existing airport.

The project will be developed in stages:

(i) First Stage.- Construction of 3 runways for simultaneous use, which will transport 50 million people.

(ii) Second Stage.- Construction of 6 runways to transport 120 millions of passengers.

Its innovative and environmental friendly design defies traditional infrastructure building as it will reuse its own treated water supply.¹⁰

The new Airport will cost approximately 169 billion Mexican pesos, which will be financed in part by the International Airport of Mexico City and by the Mexican government.



FIELDS	PUBLIC INVESTMENT	PRIVATE INVESTMENT	TOTAL
Energy	\$2,833,947	\$1,063,955	\$3,897,902
Transport and Communications	\$557,976	\$762,133	\$1,320,109
Water	\$370,176	\$47,580	\$417,756
Health	\$71, 738	\$1,062	\$72,800
Urban Development and Housing	\$981,201	\$879,539	\$1,860,740
Tourism	\$69,039	\$112,203	\$181, 242

SOURCE: Mexican Government
 National Infrastructure Program
<http://cdn.presidencia.gob.mx/pni/programas-y-proyectos-de-inversion.pdf?v=1>

¹ Infrastructure Investment Program for Transportation and Communications 2013-2018.

² Official report "Aviación Mexicana en cifras 1991 – 2013" (Mexican Aviation in numbers 1991- 2013) http://www.sct.gob.mx/fileadmin/DireccionesGrales/DGAC/04%20Estadisticas%202012/01%20Aviacion%20Mexicana/AMC_1992_2013.pdf

³ Basic comparative statistics of use federal Motor carrier vis-à-vis all other means of transportation in 2012 <http://www.sct.gob.mx/transporte-y-medicina-preventiva/autotransporte-federal/estadistica-basica-del-autotransporte-federal/2012/>

⁴ Some representative countries are: Canadá, Cuba, Panamá, Argentina, Brasil, Chile, Venezuela, Paraguay, Uruguay, Perú, Alemania, Austria, España, Francia, Italia, Reino Unido, Rusia, Suiza, la Unión Europea, Australia, China, Corea, Emiratos Árabes Unidos, Filipinas, Hong Kong, Japón, India, Malasia, Singapur, Nueva Zelanda y Tailandia, among others. Please see Official report "Aviación Mexicana en cifras 1991 – 2013" (Mexican Aviation in numbers 1991- 2013)

⁵ Article of Miguel Elizalde published in Forbes in October 30th, 2013 available at: <http://www.forbes.com.mx/sites/autotransporte-un-vistazo-en-el-primer-ano-de-gobierno/>

⁶ 15 Ann Arbor, "Aerospace Globalization 2.0: Implications for Canada's Aerospace Industry", November 2009. BANCOMEXT, "La visión estratégica del Bancomext", Diciembre 2010, http://www.revistacomercioexterior.com/noticias/print.php?story_id=206

⁷ Excelsior, Oct. 2010

⁸ "México va a feria por firmas aeroespaciales", El Excelsior, 2010, http://www.excelsior.com.mx/index.php?m=nota-especial&id_notas=593700

⁹ www.excelsior.com.mx/comunidad

¹⁰ <http://www.forbes.com.mx/10-puntos-clave-sobre-el-nuevo-aeropuerto/>

TRANSPORTATION AND INFRASTRUCTURE PRACTICE

Our practice team advises on regulatory and contractual issues related to trucking and rail transportation, logistics and cross-border transportation.

We advise on contractual and regulatory aviation matters, including aviation leasing and finance, aircraft registration, airport concessions, airport operational contracts, as well as insurance and reinsurance in the sector.

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LEGAL FRAMEWORK

INTRODUCTION

The attractiveness of Mexico' Investment Portfolio' activities is not only determined by the market size, a healthy and stable economy, government cooperation, field innovation and development, a responsible business conduct, energy efficiency, development cooperation, improvement on trade facilitation, development of suppliers, addressing supply side constraints, foster product, and market diversification, educational level and a profile of the working population, but by many other factors, such as the legal framework.

This section aims to advice both Mexican and foreign investors about the legal complexity surrounding the investment and commercial opportunities, which will be described.

GRA' ongoing involvement into legal literature projects goes back in time to the origin of the publication of the "Blue Book", for over more than 20 years, which can be found on GRA web page. The Blue Book is a reference book considered as an investment and law working tool, which is based on the result of the accumulated technical legal knowledge, experiences and case studies of the legal and commercial investment scheme in Mexico within the framework of GRA' vision; the Blue Book also includes a further in-MIP content (each investment activity, and each legal environment regulation/system).

As in all other countries, in Mexico companies must comply with several legal requirements of various sources including environmental,

tax, labor and social security, immigration, international commerce, procedural, health, and consumer protection regulations/systems (among others).

Among recently published laws, it is important to stand out the enactment of: (i) the new Federal Law of Economic Competition (LFCE) –to promote economic efficiency and protect the process of free competition by punishing monopolistic practices, and by providing protection of competitors and consumers against unfair or misleading business practices; (ii) the amendment to the General Law of Mercantile Corporations (LGSM) –to impose restrictions to the ownership or transmission rights in shares, to establish a tag-along/drag along exit clause in the bylaws, to take any civil liability action against company directors, and to delay voting on any matter within the shareholders' meeting (among others); and (iii) Federal Law for the Prevention of Transactions involving Illegally Sourced Funds (LFPORPI) and its appropriate ruling –to prevent, detect and report commercial operations and transactions involving illegally sourced funds as to strengthen the domestic economy and to protect the financial Mexican system.

Furthermore, the current National Development Plan (the "NDP"), sets out the objectives, strategies and priorities of Mexican President, as well as it forms the bases for different sector, special, regional and institutional programs that will bring Mexico to its fullest potential. One of the main strategies the Federal

Government will follow is the implementation of a policy on the State of Human Rights, which started back in 2011 with the reform to the Mexican Constitution to change how people conceive of, safeguard, and interpret these rights.¹

Creating and enabling a suitable legal environment for the establishment and incorporation of entities with both Mexican and foreign capital is paramount to the further Mexican development. As the Mexican legal system evolves, we will keep you well-advised.

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¹Carbonell, Miguel. "La reforma constitucional en materia de derechos humanos: principales novedades".



ENVIRONMENTAL LAW AND CLIMATE CHANGE

“The legal liability derived from the soil pollution matter must be a priority ranking issue not only for developers and investors, but also for financial institutions and companies as well”

INTRODUCTION

In Mexico, like in other countries, environmental regulations are constantly evolving. Today, issues such as climate change, water, waste, forest land, biotechnology, biodiversity and Environmental Liability are just some of the issues that environmental regulations govern.

Mexican environmental regulations are intended to regulate the impact that the economic activities have on the environment, as well as impose liability for those responsible for harming it.

Today, the adaptation and mitigation to the climate change has become a priority for the Mexican government.

ENVIRONMENTAL IMPACT EVALUATION

The Environmental Impact Assessment (EIA) is an obligation established in the General Law of Ecological Balance and Environmental Protection (GLEBEP). The EIA is one of the several environmental policy instruments by which the environmental impact of the regulated projects, works or activities will be assessed by the appropriate authority, as well as the way the impact will be mitigated by companies.

The EIA must be obtained by companies or investors that will perform a project, work or activity, among others, related to: (i) forest land use change, (ii) industrial park where high-risk activities are envisaged, and (iii) real estate developments that will affect the coastal ecosystem (e.g. mangrove).

MANGROVE AND FEDERAL MARITIME ZONE

It is forbidden to carry out any project, work or activity that might put at risk the mangroves' flow, pursuant to a federal Decree issued in 2007. In relation to the land that is considered as part of the federal maritime zone, its use, exploitation and development may be carried out by companies or investors by means of grants issued by the federal government.

ENVIRONMENTAL ASPECTS WITHIN THE INFRASTRUCTURE FIELD

It is extremely important to take into consideration the infrastructure and the direct or indirect environmental relation with it. There are several risks if the legal environmental aspects are not accomplished before embarking on a large-scale building

project, whatever form this takes and whatever the purpose will be (rent, lease-option, acquisition, real estate, tourism).

REGULATION IN THE CLIMATE CHANGE FIELD

Currently, the General Law on Climate Change (CCL) mandates that 35% of electricity will be generated from renewable energies by 2024, and to reduce carbon emissions by 30% by 2020, as well as to reduce greenhouse gas emissions by 30% over the baseline by 2020, and by 50% by 2050.

The most relevant issue is that the CCL mandates that the Federal, State and Local governments implement financial, tax and market instruments, in order to provide incentives to those individuals or private entities who contribute to the fulfillment of the National Climate Change Policy.

The CCL provides the creation of a voluntary emissions trading system (VETS), named Mexican Carbon Platform MexiCO₂, in order to promote emission reductions. VETS' owners may conduct operations and transactions in Mexico, and also transactions linked to other countries emissions trading systems or that can be used by international carbon markets.



The CCL created the Climate Change Fund (CCF), which substitutes the current Mexican Carbon Fund (Fondo Mexicano de Carbono).

SOIL POLLUTION

The legal liability derived from the soil pollution matter must be a priority issue not only for developers and investors, but also for financial institutions and companies as well. Owners and holders of private property, and holders of granted areas will be held jointly and several liable if there is pollution within the soil of the private property or the granted area in accordance with the provisions of the General Law for the Prevention and Integral Management of Waste (LGPGIR); therefore, before purchasing a private property area, the buyer must make sure the property is pollution free, otherwise the appropriate authority will assign liabilities against the owner or holder at the time of the authority visit/verification, no matter the person alleged to be responsible for that damage.

To ensure the effective free of pollution property state, it is recommended to include an “environmental liability” clause inside the real estate transaction agreements, whereas each party’s liability must be defined and limited in case of pollution, and to perform an Environmental Site Assessment to identify any risk or previous contamination (historic contamination).

MITIGATION OF RISKS

The mitigation of environmental risks may be carried out by means of a implementation of systems for environmental management, or a legal-environmental evaluation that allows the identification of the following activities: (i) legal-environmental obligations applicable to the project in question; (ii) the feasibility of the project on the three levels environmental legislation (at federal, state or municipal/Federal District level); (iii) possible environmental risks; (iv) legal liability in case of pollution; and (v) an action plan for the achievement of legal-environment obligations.

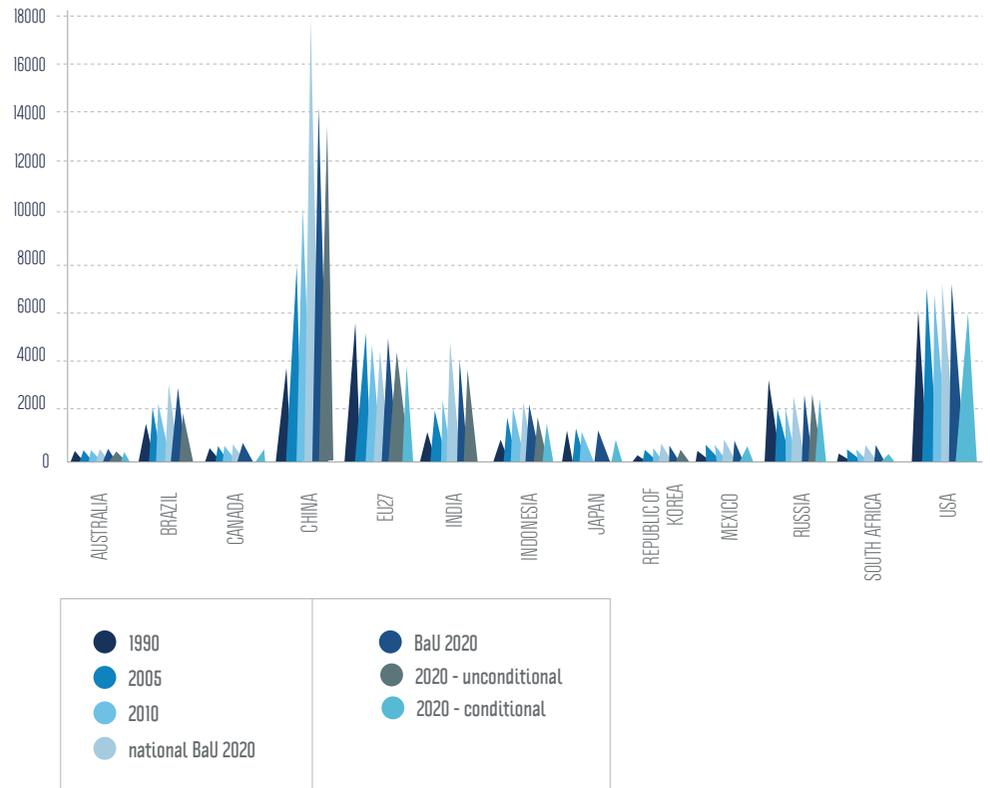


CHART 2.- Current and projected emissions levels for 13 UNFCCC parties with a pledge. SOURCE.- United Nations Environment Program Synthesis Report, “The Emissions Gap Report 2013”, link: <http://www.unep.org/pdf/UNEP EmissionsGapReport2013.pdf>

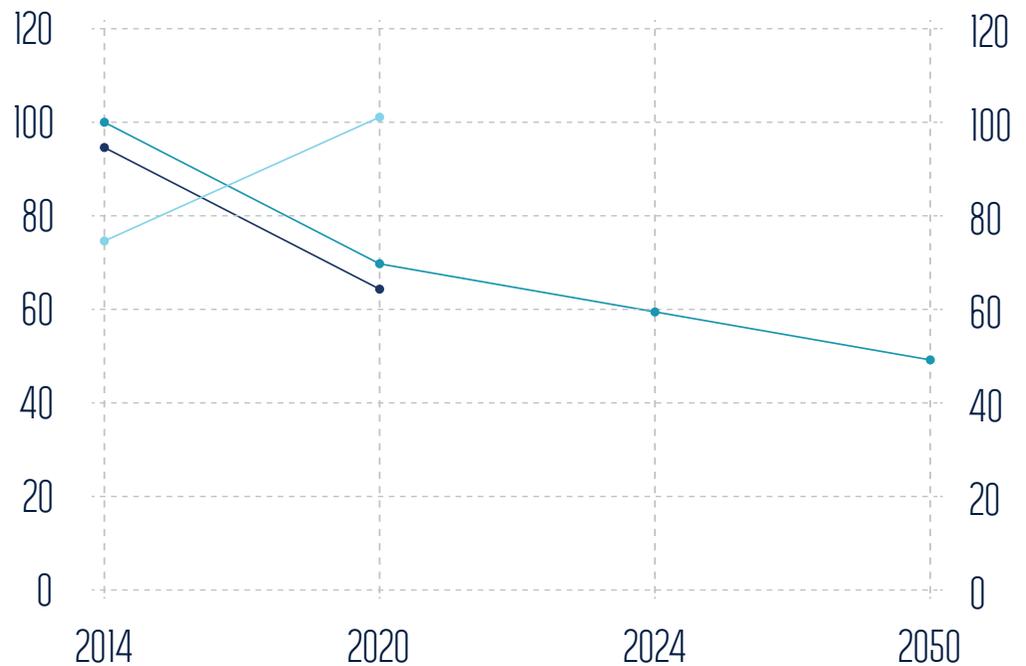


CHART 3.- General Law of Climate Change challenges. SOURCE: Goodrich, Riquelme y Asociados 2014.

In addition, handling environmental risks has become an obligation, even for the financial institutions who had settled guidelines and environmental policies for the granting of real estate development projects credits.

Goodrich, Riquelme y Asociados has experience in working with statutes and regulations concerning air and water pollution and hazardous and solid waste management, as environmental issues are early considered in corporate transactions because these issues can have a major effect on the financing, cost and location of a business entity. In fact, they may determine whether or not it is feasible to follow through on a particular transaction.

Our team also has extensive experience with the full range of emission reduction projects, clean development projects- including mayor expertise under the Kyoto Protocol- and the newly created Mexican Carbon Platform (MexiCO₂), environmental compliance counseling, inclusive of environmental impact assessment and government enforcement.

Alberto Silva
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México

SIN PATRIA NI LIBERTAD
ESTAREMOS SIEMPRE
MUCHA DISTANCIA
XEROCADA PER

PORT

ROPEA
ÑA



ANOS



ORTE

ESTADOS UNIDOS MEXICANOS
FORMA MIGRATORIA MÚLTIPLE (FMM)
FORMA DE MANERA INDIVIDUAL POR TODO EXTRANJERO
PERSONAL DIPLOMÁTICO/
including diplomatic personnel



IMMIGRATION AND LABOR LAW AND SOCIAL SECURITY

“The current residence cards have replaced the former migratory forms known as FM2 and FM3 established within the LGP... Non-Immigrant (FM3) and Immigrant (FM2) status, will be valid until the expiry date of such documents”

IMMIGRATION

262,672 LEGAL FOREIGNERS

In recent years, Immigration has become a growing phenomenon in Mexico as a result of Mexico increase of competitiveness, and among other factors the globalization era. The legal status of foreigners in Mexico is safeguarded by legal mechanisms enacted by the Ministry of the Interior, through the National Immigration Institute (INM).

Mexico has over 44 international agreements with different countries; as a result, close bonds and commercial relations had been developed among Mexico and foreign countries.

Visas

The Migration Law (LM) establishes the rights and obligations of foreigners, and regulates the different immigration statuses that allow foreigners to enter Mexico in order to achieve their objectives (e.g. conducting business or engaging in income-generating activities), as well as the entry and exit of Mexican citizens and foreigners, its transit and stay, and the change of the migratory status.

On May 25th 2011 the new Immigration Law was published (LM), and in September 28th 2012 the appropriate ruling was also published; both the LM and the ruling



22.8%
USA



7.1%
Spain



5.8%
Argentina



5.6%
Colombia



4.1%
Canada



3.9%
Cuba



3.9%
China



3.8%
Venezuela



3.6%
France



3.4%
Germany



3.2%
Guatemala



32.8%
Others

Legal Foreigners.

Table 4 – Migratory Studies Center of the National Migration Institute on the basis of the official census of the administrative records of legal foreigners the INM in Mexico in the year 2009

Legal Foreigners in Mexico by main countries, 2009



entered into force on November 9th 2012, superseding the former General Population Law (LGP) and its appropriate former ruling.

The current residence cards have replaced the former migratory forms known as FM2 and FM3 established within the LGP; nevertheless, the immigration documents issued before the new LM –which will prove the acquisition of the legal stay of foreigners in Mexico– that is to say, Non-Immigrant (FM3) and Immigrant (FM2) status, will be valid until the expiry date of such documents.

Also, the LGP stated a 38 migratory status list; now, the LM states only a 9 migratory status list. The new legal stay conditions of the LM that have to be met in Mexico, namely are:

1. Visitor: With or without permission to have remunerated activities in the country; they may stay in the country for up to 180 days.
2. Temporary Resident: The condition of migratory stay applies to foreigners who intend to stay in the country for a maximum period of four years, receiving their pay in Mexico. This category includes students.
3. Permanent Resident: Applicable to foreigners who wish to stay in Mexico indefinitely, there will be a quota system and points which will be determined and published in the next few months. Otherwise, the interested party must have relationship with a Mexican national.

Working Permit

The hiring of any new foreign employee shall be requested through an admission permit, since the new rules for immigration procedures do not allow the change of visitor condition (visitor/tourists or business people regimes changed into work permits –temporary residents with paid activities–), there will be no changes in immigration status of temporary visitors or permanent residents (unless foreigner has a link with a national person).

Once the work permit is granted, the holder can apply for immigration procedure for his family. The holder must be present during the immigration procedure.

Business people or technicians who travel to Mexico holding business meetings or providing technical assistance to Mexican clients or to a Mexican subsidiary, of a foreign employer for periods no longer than 180 days, must bring alongside the documentation that demonstrates conclusively the reason for their trip while arriving at the country, since the immigration agent at the entry point will interview the foreigner and will check if he has the necessary documentation to motivate his visit to the country.

LABOR LAW AND SOCIAL SECURITY

“Any person rendering services to another individual or entity is considered an employee if that person works under the supervision of, or is subordinate to, the contracting individual or entity”

The Federal Labor Law (LFT) issued on 1970, and its recent amendment of 2012 regulates all aspects of the relationship between employers and employees, including those related to minimum salary requirements, maximum work hours, overtime rates, minimum benefits for bonuses, holidays and paid vacations, unions, staff outsourcing, collective bargaining agreements, strikes, and health and safety in the workplace.

The LFT provides rights and obligations for employees and employers. In Mexico, employees have the right to participate in the distribution of profit sharing, and employers are obliged to register their employees before the social security and the house funding administrations, and to pay both mandatory systems dues which will be dealt with as tax assessments.

State labor boards may enforce the LFT within their jurisdictions, except for specific cases in which the federal government maintains exclusive enforcement jurisdiction.

Any person rendering services to another individual or entity is considered an employee if that person works under the supervision of, or is subordinate to, the contracting individual or entity. Care must be exercised in drafting service agreements where the parties' intent is not to form an employment relationship.

It is important to take into account that in the acquisition of an on-going business, the purchaser becomes a substitute employer for the seller, and acquires all the seller labor obligations. The purchaser and seller remain jointly liable for labor obligations for six months after acknowledgment by employees of the notice of the transfer.

In Goodrich, a vast majority of our clients are investor coming from different countries around the globe. Many times their businesses require the presence in Mexico of foreign nationals to manage or oversee corporate operations or investments. This is the reason why we count with extensive experience in dealing with legal immigration procedures. We render comprehensive immigration services for the executives of more than 50 leading multinationals.

Our labor law practice covers the full spectrum of employment relations. Our services include drafting employment contracts and all other related documents, handling of senior executives appointments and severances, negotiating collective bargaining agreements, litigation with individuals or trade unions, as well as counsel and litigation in the matter of social security and workers' housing fund, among others. The firm's lawyers in the employment-law and social-security expertise act as advisers, contract negotiators and litigants always representing employers.

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LEGAL FRAMEWORK – INTERNATIONAL TRADE LAW

“With the start of negotiations to join the Trans-Pacific Partnership (TPP) Mexico’s foreign trade will have the greatest openness throughout the Americas.”

INTRODUCTION

Mexico has the most important network of trade agreements in Latin America. Since its accession to the World Trade Organization (WTO) in 1995, trade policy has had clear goals: widen the openness of the economy, ensure access to new markets and create a favorable environment for investment.

Our country has signed 12 Free Trade Agreements, 6 Economic Complementation Agreements and 28 Promotion and Reciprocal Protection of Investments, granting privileged access for trade in nearly 50 countries. With the start of negotiations to join the Trans-Pacific Partnership (TPP) Mexico’s foreign trade will have the greatest openness throughout the Americas.

2. OVERVIEW

International Projection for Mexico with a Global Responsibility

Mexico is an exporter of sophisticated products. Due to its geographical position, low operating costs and the availability of skilled labor, Mexico attracted the largest investment in aeronautical manufacturing about USD 33.0 million between 1990 and 2010, reaching exports above USD 4.5 million in 2011.

According to The Boston Consulting Group, Mexico has a more favorable position in two sectors of the industry: cost and investment risks, even above Colombia, Brazil and India¹.

OBJECTIVES, STRATEGIES AND CROSS-CUTTING ACTIONS.

Having a transportation infrastructure that is reflected in lower costs for economic activity.

Mexico now has the tools to position itself as a major logistics center in the Americas. The SCT’s Infrastructure Program of the SCT provides for the creation of the National System of Logistics Platforms, which includes the creation of industrial parks and the Controlled Enclosures Strategic (CES) logistics network to expand with the new trends that the TPP will create. The international distribution logistics platforms chosen for this purpose are located in the cities of: Monterrey, Chihuahua, Hermosillo, Toluca, Mexico City, Queretaro, Guadalajara, Tijuana and Cancun as aerial platforms and Mazatlan, Ensenada, Manzanillo, Lázaro Cardenas, Progreso, Veracruz, Tampico and Altamira Progress as logistical ports.

Expand and strengthen Mexico’s presence in the world.

One of the NDP’s cross-cutting strategies is to generate an Asia-Pacific block that serves as a platform to access new markets for Mexico’s maquila exports and sophisticated products. The main goal is to accumulate NAFTA and TPP in a single trade block. Doing so would obtain the best in terms of customs procedures and logistical access to the countries in each trade bloc.

The Pacific Alliance (Mexico, Colombia, Peru and Chile), comprises 40% of GDP in Latin America. This alliance will continue to create new opportunities by: transforming tourism, promoting fiscal transparency and creating a business mechanism for Small and Medium Enterprises (SMEs).

¹ Source: Mexican Federation of the Air Space Industry (FEMIA, for its initials in Spanish) and Ministry of Economy as part of the 2012-2020 strategic program to promote development of the air space industry.



TTP: OPORTUNITY FOR UPGRADING THE TCLAN



- ▶ **New Commercial Disciplines:**
 - Development
 - SME's
 - Electronic commerce
 - Regulatory coherence
 - Development of commercial capacities

- ▶ Strengthen productive chains
- ▶ Accumulation of origin
- ▶ More regional competitiveness

TRANS-PACIFIC PARTENERSHIP (TPP)

- ▶ **More regional competitiveness**
 - Extensive coverage of goods and disciplines.
 - It will be the new negotiation model for future commercial initiatives.

TPP• EE.UU · Australia · Perú

THERE ARE NEGOTIATIONS WITH 12 COUNTIRES SINCE JULY, 2013• Vietnam · Malasia · Mexico
Canada · Japan



- ▶ The first participation of México in the Round of negotiations 17, took place in Aucklard, News Zealand in December 1012.
México incorporated as member of the TPF's initiative on October 8, 2012

Mexico with Global Responsibility

“To strengthen the strategic alliance among Canada, United States and Mexico, by improving transportation logistics, border cooperation, standardization of rules in productive sectors and the creation of new global value chains to compete strategically with other regions of world.”

The new global value chains within the scope of international logistics strengthen that alliance. For example, the new regime for certified companies adds to the C-TPAT strategy (which is a U.S. government initiative that voluntarily allows companies to join the programs to optimize the international supply chain and border security in a particular territory).

Mexican Customs Project: Laredo, Texas.

This is a unique pilot program. This program aims to facilitate the transaction and logistics of goods from Laredo, Texas bound for Nuevo Laredo. Currently, the program is streamlining the delivery of goods entering Mexico from Laredo, Texas without having to first pass into a Bonded Warehouse. The sectors and commodities that can avail themselves of this scheme include: automotive, auto parts, electrical, electronics and aerospace. Companies that meet the necessary requisites of the program will likely have better supply chain processes, which will reduce costs and secure trading operations

Project for the prevention of risks in the import and export of goods.

Currently, there are three programs that General Administration of Customs uses as tools for risk prevention in the import and export of goods:

(i) the System for Automated Customs Analysis; (ii) Scheduling Solutions for Foreign trade; and (iii) the Alert System for Risk Operations which identifies allegedly undervalued are using the for review. These

systems operate in the following sectors: textiles, footwear, clothing, steel, cigarettes, pencils, ceramics and zippers.

The third program, although having a tendency to prevent risks in the import and export of goods, turns out to be a tool for the Federal Government to create new Sector Registries to have control over the trading of these goods. There currently exist Registries for importing cigars and exporting iron ore and its derivatives. These measures are, at times, barriers to free trade as the sector for iron ore and its derivatives has shown.

Our firm has looked after the interests of investors who pursue exports in the iron ore and its derivatives. GRA has successfully represented an important client industry in an indirect amparo proceeding, obtaining the only favorable sentence rendered for a company in the iron ore industry. Thus, our client is the only one in the industry able to export its iron without being subject to the Sector Registry.

Our firm has extensive experience in enabling and creating RFE. In 2011, GRA obtained the first authorization to operate a Bonded Warehouse under the Strategic Customs Regime for a major company in agri-food. With an investment of over 530 million pesos backed by federal, state and private initiatives, our client obtained the first license to operate the system and use industrial processes to export its products “with high added value” to European, Asian and American markets.

With respect to WTO law, including unfair trade practices – such as dumping and subsidizing – we represent clients regarding countervailing duties imposed by Mexican authorities. Our team further advises our clientele with respect to a wide range of procedures concerning customs.

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LITIGATION AND ADR

“...Mexican legal system expressly regulates the application of foreign laws by Mexican judges, as well as the recognition, validity, and enforcement of foreign awards and judgments ...”

Due to the increase in transactional activity, it is necessary to have a strong legal system. The Mexican dispute resolution system provides the main defense mechanisms existent before Mexican courts.

Another way to solve disputes is through Alternative Dispute Resolution (ADR) procedures. The ADR procedures differ from traditional litigation (held before courts or tribunals of the Mexico) as it is an alternative dispute settlement mechanism. However, both are usually handled by the same area or legal department in a law firm.

The Mexican legal system expressly regulates the application of foreign laws by Mexican judges, as well as the recognition, validity, and enforcement of foreign awards and judgments, which are intended to have effect in Mexico, as long as they comply with the requirements established by law.

With the goal of implementing important reforms, Mexican rules for arbitration have been adopted from the UNCITRAL Model Law.

Additionally, special reference has to be made to the International Centre for Settlement of Investment Disputes (ICSID) which is considered as the main investment dispute settlement institute. It was established by the ICSID Convention and provides the rules that international public and private investors will use in arbitration, fact-finding and conciliation processes. The ICSID works under the auspices of the American Arbitration

Association (AAA) and it is part of the World Bank.

Finally, all UNCITRAL Member States can settle disputes by means of ADR and Arbitration through their appropriate Chambers of Commerce. The UNCITRAL has sought to achieve uniformity within the legislative implementation of said proceedings

MEXICAN COMMERCIAL PROCEEDING

The Mexican legal system follows up a civil law tradition. The Mexican legal system is composed by the first instance courts (civil, criminal, family), second instance courts (appeal) and federal courts (district courts, unitary tribunals and collegiate tribunals), and finally, the Supreme Court of Justice (SCJN).

Court litigation is regulated by the Commercial Code. A commercial trial procedure begins when the claimant files a written motion before the court; said motion shall be submitted before the civil local (first instance) or federal court –the case must be filed in full–; then, once the defendant has been duly notified and has given a written answer to the claim, an evidence and a hearing phase take place prior to the ruling issued by the judge.

If the claim is based on an enforceable document, the claimant is entitled to commence summary proceedings and to obtain a seizure of assets before the procedure.

In ordinary commercial claims, the defendant has a 15 day term to give a written answer to the claim; in summary proceedings, there is an 8 day term.

In case the first instance ruling is not in favor of the claimant, further appeal resource may be applied at second instance. Again, in the second instance ruling is not in favor of claimant regarding the appeal resource, there is the Direct Amparo Trial which may be executed (alleged third instance).

VERIFICATION OF ADR' EFFECTIVENESS BY VARIOUS AGENCIES

OECD and WTO

The Organization for Economic Co-operation and Development (OECD), through the World Trade Organization (WTO) established a set of functions and benefits regarding the application of ADR within its catalog. In addition, the WTO help resolve differences and helps to reduce stress trade by adapting relationships among States, and by providing mechanisms in possible disputes.

Today a trading system has been developed by the WTO. This system aims for the States to negotiate acceptable trade rules among them.



It also helps to settle disputes between States concerning the recognition of trade rules. The WTO will observe compliance of the agreed rules adopted by States.

Emerging economies are the most This is because of the increase of emerging economies' share of worldwide trade.

OTHER EXTRAORDINARY RESOURCES IN MEXICAN LAW

Amparo Trial. This resource has its legal bases on the Mexican Constitution. Its aim is to ensure the protection of fundamental rights recognized by the Mexican Constitution.

Amparo proceedings must be submitted before Federal Courts. The use of this legal resource is quite common by anyone on breach of his constitutional guarantees.

As said before, in Amparo Trial the claimant alleges the violation of his constitutional rights by submitting a written form of Amparo Trial request. The violation of the constitutional rights has to be carried out by an “act of authority” against both an individual and/or a corporation.

The act of authority can be performed by a federal, state or municipal agency from any branch of government that issued or performed the claimed action, or omits doing something it should.

The purpose of the Amparo Trial is to restore the violated rights of the Claimant set in the Constitution, as well as to stop the effects of the act of authority by means of a “stay order” while the final resolution of the Amparo Trial is issued.

The stay order will bind the responsible authority to effectively cease and desist the execution of the claimed action or claimed omission.

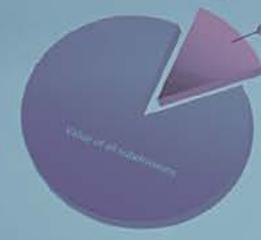
There are two types of Amparo: (i) Direct Amparo (amparo directo) and (ii) Indirect Amparo (amparo indirecto). The Direct Amparo can be submitted against any final sentence or resolution that concludes a proceeding; on the other hand, the Indirect Amparo may be submitted against unconstitutional laws and treaties, or actions of members of the government. A “revision” resource may be applied against the Amparo Indirecto final resolution.

Finally, Amparo Trial can be granted or denied through a final resolution.

Our alternative dispute resolution and litigation team enjoys comprehensive experience covering commercial, civil, regulatory and corporate proceedings.

In addition, Goodrich maintains a solid commercial arbitration practice at an international scale. We represent parties in international arbitrations and litigation arising from a broad range of industry sectors including banking, construction, energy, insurance and reinsurance, international finance, international trade and investments, intellectual property, insolvency, international transport, among others.

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The current situation...
Prices of...
As a result of...
costs to transport...
personnel training

TAXATION

“...Mexican legal system expressly regulates the application of foreign laws by Mexican judges, as well as the recognition, validity, and enforcement of foreign awards and judgments ...”

As part of the change in the paradigm of human rights protection, in September 2011 the Office of the Taxpayer Ombudsman (OTO) began operating. OTO is a public agency that aims to protect the taxpayers' rights through advice, representation and defense of taxpayers before various federal courts, as well as receiving complaints and issuing recommendations, proposing corrective measures, interpreting tax regulations, promoting tax culture, among others.¹

It is clear that Mexico is an attractive place for domestic and foreign investment. And because of this the NDP's guiding principle “A Prosperous Mexico” proposes the following:

- (1) Increase the financial capacity of the Mexican government with stable and permanent income;
- (2) A more equitable tax structure to improve distribution of the tax burden;

- (3) Adjust the legal framework so that taxation can serve as a impetus for development; and
- (4) Promote a new culture for paying respect to taxpayers' rights.

The above must be accomplished through a comprehensive tax reform that strengthens the Treasury.

The Federal Tax Framework from 2008 - 2015 has the following tax rates:

TAX	2008	2009	2010	2011	2012	2013	2014	2015
INCOME	28%	28%	30%	30%	30%	30%	30%-35% ²	30%-35%
ON DIVIDENDS							10%	10%
FLAT RATE BUSINESS	16.5%	17%	17.5%	17.5%	17.5%	17.5%	Derogated	Derogated
DEPOSITS	2%	2%	3%	3%	3%	3%	Derogated	Derogated
VALUE ADDED	0-10-15%	0-10-15%	0-11-16%	0-11-16%	0-11-16%	0-11-16%	0%-16%	0%-16%
SPECIAL TAX ON PRODUCTION AND SERVICES								
ALCOHOLIC BEVERAGES	50%	50%	53%	53%	53%	53%	53%	53%
BEER	25%	25%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
TOBACCO	150%	160%	160%+ Fixed Quota \$ 0.4%	160%+ Fixed Quota \$ 0.35%				
BETTING GAMES	20%	20%	30%	30%	30%	30%	30%	30%
TELECOMMUNICATIONS				3%	3%	3%	3%	3%
ENERGY DRINKS				25%	25%	25%	25%+ FQ 1Peso	25%+ FQ 1Peso
FLAVORED BEVERAGES & SODAS							FQ 1 peso/liter	FQ 1 peso/liter
TAX ON NON-BASIC FOOD WITH HIGH CALORIE DENSITY							Diferent rates/amount	Diferent rates/amount
ENVIRONMENTAL TAXES							Diferent fixed quotas/liter	Diferent fixed quotas/liter
TAX ON PESTICIDES							Diferent rates/toxicity	Diferent rates/toxicity



The NDP's main objective is to expand and strengthen Mexico's presence in the world. Regarding taxation, the goals are: to meet international standards of tax certainty in generating investment, free competition in a globalized market through the conclusion of agreements to avoid double taxation, prevent tax evasion, as well as agreements for the exchange of information.

In this regard, Mexico has signed agreement to avoid double taxation (CDI's) and Tax Information Exchange Agreements (TIEA's) with about 60 jurisdictions, most of which are currently in force. Mexico is at an advance stage of negation of CDI's and TIEA's with other jurisdiction, especially members of the Global Forum, the G-20 and the OECD and signed ad referendum the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Mexico continues to negotiate agreements of this nature with another member of the Global Forum, as the case of the Agreement between the Department of the Treasury of the United States of America and the Ministry of Finance and Public Credit of the United Mexican States to Improve International Tax Compliance including with Respect to FATCA³.

Additionally, to avoid double taxation for taxpayer who are required to pay taxes in Mexico and elsewhere, during the first quarter of 2013 Mexico celebrated about 20 Mutual Agreements, mostly with the United States of America, as shown in the following table:

¹ <http://prodecon.gob.mx/mision.html>

² 30% for entities and 35% for individuals

³ To know more about these Tax Treaties, refer to the following website: http://www.sat.gob.mx/informacion_fiscal/normatividad/Paginas/tratados_fiscales.aspx



Beginning inventory on the first day of the reporting period

Initiated during the reporting period

Closed or removed double taxation during the reporting period

Ending inventory on the last day of the reporting period

Completed during the reporting period

Given the above, Mexico confirms its commitment to investments, both domestic and foreign, and promotes various mechanisms that on the one hand maintain the profitability of such investments in the country and, on the other, ensure the exercise of its powers of taxation according to the constitutional principles of proportionality, fairness and legality.

We offer legal guidance in business transactions, including the sale and purchase of businesses, recapitalization and reorganization of closely-held and publicly-held corporations, joint ventures, and the organization and financing of start-up companies. We handle tax litigation at all judicial and administrative levels and applications for tax rulings. For non-Mexican clients, we are involved in the acquisition, merger and restructuring of foreign-owned interests in Mexico.

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