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EQUITY DEVELOPMENT CERTIFICATES

Derived from all the amendments that have taken place by the National Commission for the Retirement Savings System Commission (“Comisión Nacional del Sistema de Ahorro para el Retiro”) (“CONSAR”, for its Spanish acronym), to the investment regime that applies to the Retirement Funds Investment Companies (“Sociedades de Inversión Especializadas en Fondos para el Retiro”) (“SIEFORES”, for its Spanish acronym), entities intended for the investment of the resources of Retirement Funds Administration Companies (“Administradoras de Fondos para el Retiro”) (“AFORES”, for its Spanish acronym), a new type of securities referred to, as Equity Development Certificates (“Certificados de Capital de Desarrollo”) (“CKD’s”, for its Spanish acronym) has been created, which are equally ruled by the “Regulations for the securities issuers and other participants in the securities market” (“Disposiciones de Caracter General Aplicables a las Emisoras de valores y otras participantes en el Mercado de Valores”) (“CUE”, for its Spanish acronym). The CKD’s are securities issued through a trust that has as purpose to raise funds from the placement among the investing public through Mexican Stock Exchange (“Bolsa Mexicana de Valores”) (“BMV”, for its Spanish acronym), with the purpose to assign them to an investment that allows development activities or the projects execution for one or more companies, or the title acquisition that represents the equity securities of the companies.

The CKD’s has three important elements which have a regulatory character that reads as follows:

- 1. Corporate Governance:** The structure must fulfill with all the corporate governance requirements specified in the Stock Market Law (“Ley del Mercado de Valores”) (“LMV”, for its Spanish acronym) and on the CUE.
- 2. Information disclosure:** It is applicable the information disclosure rules that the Public Companies must also fulfill.
- 3. Minority rights:** The bodies from the trust will have to grant to its members, the minority rights which the Public Companies has.

For effects of the listing on the BMV, as to the applicable rules, the CKD’s are considered as equity instruments; that is why are negotiated in a special section at the capitals market stock.

The CKD's represents a securities kind that results in a benefit to the SIEFORES, by granting the possibility to obtain high returns from the market, and for the issuers, to obtain funding from the SIEFORES.

I. Equity Development Certificates Classification.

1. Equity Development Certificate "A": intended to those CKD's that are aimed to the investments in equity securities or to the assets acquisition or cash flows rights from different companies.

2. Equity Development Certificate "B": intended to those CKD's that has as final purpose the investment in equity securities or the assets acquisition or cash flows rights of only a specific company.

On the other hand, there is an informal classification for the CKD's, depending the activity they are aimed to: **(i)** private equity funds, **(ii)** infrastructure projects; and **(iii)** real estate projects.

II. Operational structure.

The CKD's placement is fulfilled through an irrevocable issuer trust of stock exchange certificates, which pays to the holders the face value at the termination date, and whose returns, total or partial, depends on the evolution of underlying assets of the trust.

The trust state is composed basically as follows:

A. The initial contribution from the trust grantor.

B. The net recourse that are obtained from the CKD's placement.

C. The assets and other titles that are issued by the portfolio companies that the trustee acquire by the investments (regarding private equity funds), or the assets issued by the trust grantor, regarding project finance.

D. By the cash flows that are generated by the portfolio companies or in the projects in which the resources of the placement are invested.

With the CKD's placement resources, at first place, the issue expenses and the BMV placement should be paid, which includes the initial payments to the securities holders representative and the trustee for the acceptance of its respective charges, as well as the independent auditor, attorneys, tax advisor and fees to the broker dealer.

The CKD's structure is as follows:

1. The trustee is the one in charge of the placement of the CKD's at the BMV, by which the securities holders acquire the CKD's and enters the trust state the necessarily resources to invest in the portfolio companies or in the projects.

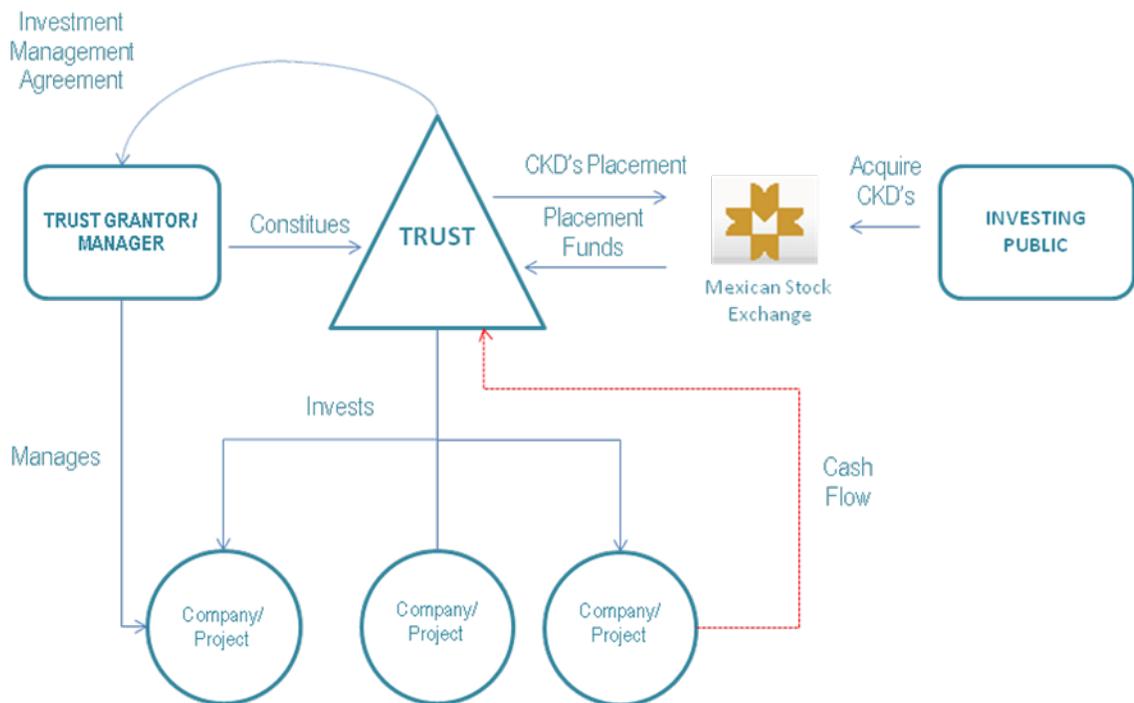
2. The trustee celebrates with the manager, an Investment Management Agreement that would have as a main objective for the manager, to analyze the investment opportunities for the trust and select the best ones.

3. The manager instructs the trustee to realize the investments in the portfolio companies or in the projects, in compliance with the investment regime of the trust, prior authorization of the technical committee.

4. The manager must instruct the trustee to realize the divestitures, and according to the established in the trust, pay the securities holders and the trust grantor the corresponding fees according to the distribution rules from the trust.

5. On the termination date, the trustee must amortize the principal of the CKD's, but an anticipated amortization could be made previously to such date, once that the investments and divestiture are already made accordingly to the terms established in the trust.

The next diagram shows the CKD's operation structure:



III. Investment regime.

The trust validity would be 10 years, which constitutes an investment and divestiture period on the portfolio companies or the projects. This period, is established to fulfill the requirement of the articles 227 and 228 from the Income Tax Law ("Ley del Impuesto Sobre la Renta") ("LISR", for its Spanish acronym) with the purpose that the trust can qualify as a Private Equity Trust

(“Fideicomiso de Inversión en Capital Privado”) (“FICAP”, for its Spanish acronym) and to become tax-exempt organization.

On the other side, in addition to the investment regime that can be imposed by the issuers of the CKD’s, the LISR stipulates some other requirements for the trust to qualify as a FICAP, including the following:

A. The purpose of the trust is to invest in the capital of Mexican companies not listed at the BMV at the moment of the investment, and to participate in its board of directors to promote its development, as to give financing.

B. At least, the 80% of the trust state must be invested in the securities that represent the investment in equity or debt of the portfolio companies, and the surplus shall be invested in securities issued by the Mexican Government recorded in the National Securities Register or in debt securities companies.

C. The portfolio companies’ securities that are acquired should not be sold before a 2 year period starting on the acquisition date.

IV. Corporate governance.

The CUE establishes certain requirements of the corporate governance that must fulfill the CKD’s structure, within the ones it can mainly count with the next executive bodies: **(i)** securities holders meeting which represents the investor’s interests and would have certain faculties like approving investments when they represent the 20% or more of the trust patrimony, and **(ii)** a technical committee should be composed at least by twenty one members, which in the ones, at least the 25% should be joined in an independent character (as seen at the LMV in its articles 24 and 26) and should count with underlying faculties like to stipulate the politics within the ones the trust state would invest.

Should you have any question in connection with the foregoing,
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