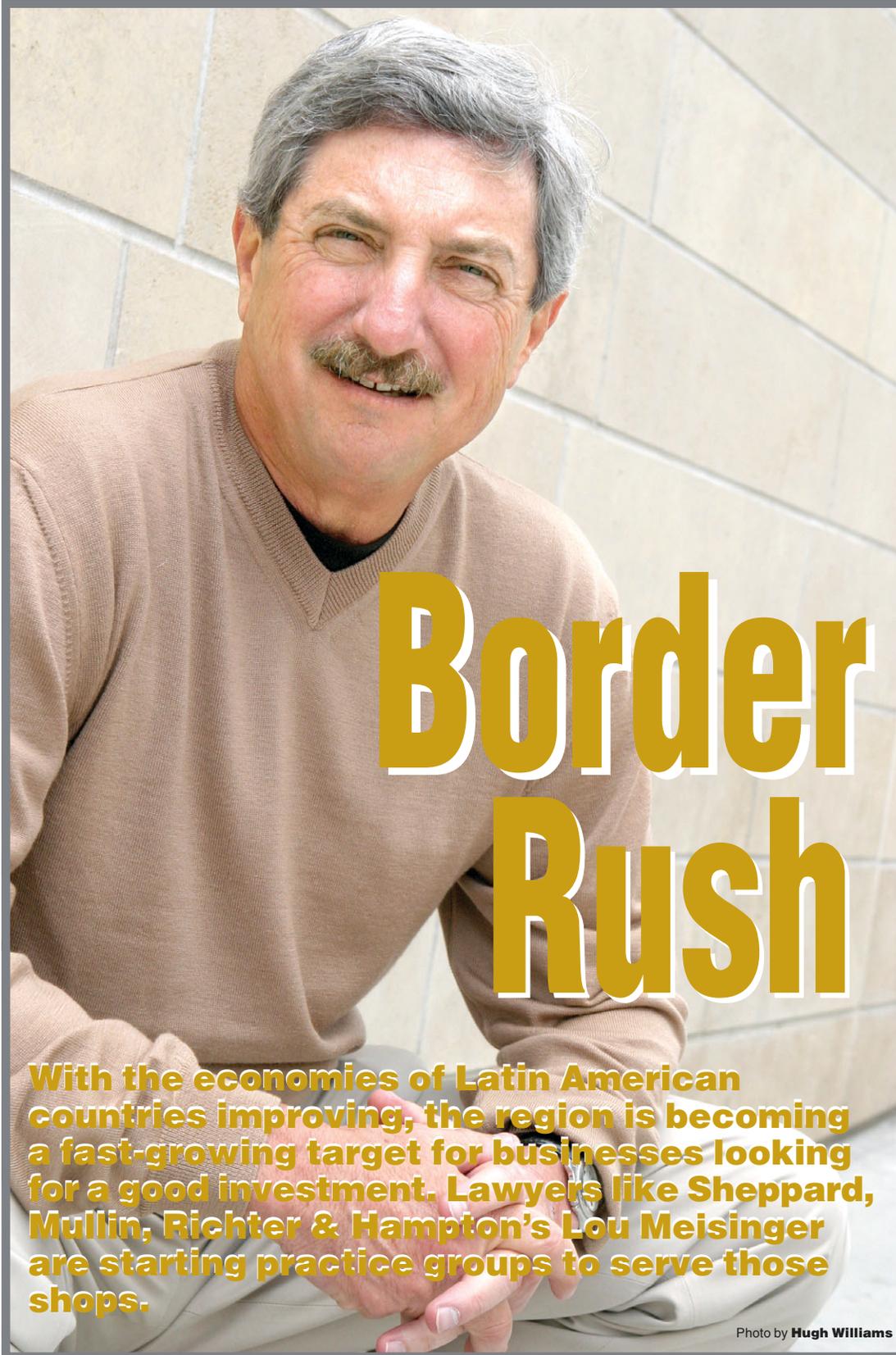


EXTRA

Trials, transactions
and the insider's guide
to the practice of law.

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COVER STORY



Border Rush

With the economies of Latin American countries improving, the region is becoming a fast-growing target for businesses looking for a good investment. Lawyers like Sheppard, Mullin, Richter & Hampton's Lou Meisinger are starting practice groups to serve those shops.

Photo by **Hugh Williams**

Talk the Talk

As law firms head into Latin America to represent American companies moving there or Latin shops looking to come north, the most important lesson lawyers have learned is that they must know the language and culture when dealing with clients south of the border.

By Lorelei Laird

It may defy geography, but among law firms, Latin America may be the new Asia.

“A lot of large firms developed very large practices in Asia because of what was going on in Japan, Southeast Asia, and now China,” says Dino Barajas, a corporate partner in the Los Angeles office of Paul, Hastings, Janofsky & Walker. “As certain markets ebb and flow, and given what’s happened in some of the European countries, a lot of attention is being paid to Latin America because the growth in a number of different countries is extremely high.”

The economies of Latin America are on the upswing. Fueled by trade pacts including the North American Free Trade Agreement, as well as economic recovery and growth in places like Chile and Mexico, the region is becoming increasingly attractive to U.S. companies that like the idea of a fast-growing investment option to the south.

And at home, concentrating on Hispanic

businesses is just common sense. Hispanics are the fastest-growing group in the United States by ethnic origin; U.S. Census demographers say Hispanics are on track to become the largest U.S. group after whites of non-Hispanic origin by 2010. That demographic power has manifested itself across the business world, as companies position themselves to take advantage of that growth by offering goods and services targeted at U.S. Hispanics.

Confronted with these realities, some law firms are moving to do what smart businesses of all types do: try to get a piece of a fast-growing market.

Sheppard, Mullin, Richter & Hampton launched a multidisciplinary Hispanic/Latino business practice group in March 2004, creating an umbrella under which the firm serves Spanish-speaking clients in virtually every one of its practice areas: corporate, finance, litigation, entertainment, real estate, labor and employment and, of course, immigration.

“Many law firms have lawyers who have serviced Latino clients,” says group chair Lou Meisinger, a partner in the Century City office. “[But] I think we’re definitely ahead of the curve when it comes to developing a group of multidisciplinary lawyers dedicated to developing that marketplace.”

Group member Jerry Gumpel, who also chairs the firm’s international practice group, says the move was an attempt to build on work that the firm’s attorneys were doing for a hefty roster of Spanish-speaking clients, including television network Telemundo Communications Group Inc. and food manufacturer Grupo Bimbo. Other clients, Meisinger says, include mortgage lenders, motion picture producers, publishers, financial services companies and manufacturing companies.

“The Latino market as a whole is just exploding across the board,” says Gumpel, a Del Mar Heights corporate partner. “You name it, there’s a pent-up demand. There’s a surging market, and

we thought it was a natural opportunity for us, given the skills we already had.”

Those skills include language and cultural skills; 30 of Sheppard Mullin’s 400 attorneys have some degree of proficiency in Spanish, and the firm is actively recruiting more bilingual attorneys.

The firm is building on those language skills to expand the Hispanic/Latino business group’s offerings to Spanish-speaking clients. Those offerings include a Spanish-language version of the legal training that many firms offer clients on subjects including sexual harassment and immigration law, an interns exchange program with Mexican law firms, and a bilingual newsletter, *In Foque Latino*, for clients of the group. And Meisinger says the firm has connections with nonlegal resources, such as political consultants and accountants, to offer clients whose needs extend beyond the legal world.

Sheppard Mullin’s group is unusual in that it combines work for businesses with products aimed at U.S. Hispanics, like Telemundo, with cross-border work going both ways between the U.S. and Latin America. But Gumpel says the skills needed to handle both types of clients are similar. He cites another television client, Univision Communications Inc., as an example.

“There’s a huge sensitivity by broadcasters today as to what they can or cannot say over the airwaves,” Gumpel says. “Certain expressions [in Spanish] mean one thing in Miami, a different thing in Texas and maybe a third thing in California.

“If a client calls and says ‘Gee, can you guys please advise us whether we can go with a story?’ you need someone who understands the language of the story because it’s being broadcast in Spanish to a Spanish market.”

The group is also somewhat unusual in that it does inbound work for Latin American companies seeking business in the United States, rather than concentrating on outbound work from U.S. companies seeking business in Latin America.

One “inbound” client, Gumpel says, is Grupo Sadasi, a Mexico-based real estate developer. As Gumpel explains it, the company’s business model is uniquely cross-border: It offers affordable homes in Mexico to Mexican nationals working in the United States and their relatives back home.

Gumpel says Mexican nationals send \$17 billion home each year. That is the country’s second-largest source of income after oil exports, according to Bank of Mexico President Guillermo Ortiz; Grupo Sadasi wants to grab a piece of those remittances by marketing its homes in both countries, either for the migrants to live in when they return or for relatives who stayed behind in Mexico.

“Sadasi builds up virtually small cities,” he says. “They saw a need for migrant workers here in the U.S. to allocate some of [their earnings] toward buying a house for families who’ve they’ve left behind or themselves, because a lot of this population is transitory.”

Sheppard Mullin is helping Grupo Sadasi in

the United States, Gumpel says, by guiding it through the regulatory requirements, advising it on taxes and connecting it with an affiliated mortgage company named *Tu Casita*, among other things.

“We think we’re ahead of the pack on this,” Gumpel says. “There are clearly other law firms, particularly East Coast-based law firms, that have been very interested in the Latin American economies and in Latin American clients. But much of that work has been New York-centric and has dealt with issuing bonds and other securities for governments or major corporations south of the border.

“We’ve not seen that many of our competitors focus on the Hispanic consumer necessarily, and we’ve not seen that many of our competitors focus on the Mexican companies that want to do business in this country, as opposed to Mexican companies that want to raise money in this country.”

Meisinger says one of the key strengths Sheppard Mullin brings to this practice area is language and cultural facility. Many law firms have quality lawyers and good connections, he says, but what they “provide is lawyers with a language and a cultural affinity.”

“You simply cannot apply strategies and tactics that work well with a non-Hispanic audience and assume the same tactics ... will appeal to a predominately Hispanic audience,” he says.

On this subject, lawyers doing work in Latin America are unanimous: It’s not possible to overestimate the importance of linguistic and cultural fluency when dealing with clients and colleagues south of the border.

Barajas does project finance work in countries including Mexico, Guatemala, Honduras and Colombia. His ability to speak both English and Spanish fluently has been key to his success, he says, especially in cases in which he’s across the table from clients or attorneys who are native speakers of Spanish.

“In most cases, they’re fairly fluent in English, but almost invariably ... on a few issues where they’re deal-breaking issues and our counterpart will try to express him- or herself in English, and in a lot of cases our clients may be only English-speaking, you end up in kind of a bottleneck,” he says. “There’s something that they want to tell us, and they can’t convey it in the right words. So I’ll have a conversation with them in Spanish.”

The ability to speak Spanish fluently also goes a long way toward winning the trust of foreign parties dealing with American investor clients, Barajas says, because it allows them to form a more personal relationship.

“What a Latin American counterpart is going



Courtesy of Sheppard, Mullin, Richter & Hampton

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to look for is to build a relationship. They want to be able to trust you; they want to understand you on a personal level,” he says. “And by having the ability to speak with them in their native language, and just from having done deals in their country for ... over a decade, it helps.”

In fact, attorneys say, willingness to do business in Latin American terms is indispensable for lawyers looking to do successful deals south of the border. That’s a skill that Orange County-based Gordon & Rees partners Manuel Saldana and Eduardo Bolt, who form the core of that firm’s Latin American practice, can’t overemphasize.

“The system is not like it is here in the United States,” says Saldana, a litigator who joined the firm in January specifically to help build the Latin American practice. “It requires a lot more personal relations and knowledge of how the bureaucracy works. An American lawyer knows the U.S. system, and it plays out according to the dictates of the law.

“In Latin America, it’s ... less legalistic and formalistic and more based on personal relationships and cultural identity. It could be as simple as asking questions about their family instead of talking about business right away.”

That ability to win trust through bilingualism applies even if outwardly you don’t seem like

you might belong to that culture, according to partner Sony Ben-Moshe of Latham & Watkins' San Diego office.

Ben-Moshe is Israeli by birth but moved to Mexico City when he was 9. Despite his un-Mexican-sounding name, he says, people across the table on Mexican deals can tell he's a former local "as soon as I open my mouth."

"It's been key, because I can walk into a meeting and not only know the language but sound local as well," he says.

Because Americans are often perceived as strong and powerful by other countries, Ben-Moshe says, foreign businesspeople don't always trust Americans. Having the right accent has helped him bridge that gap.

"I can communicate on terms that they're used to," he says. "I understand what they're looking for."

Both Ben-Moshe and Barajas handle project finance, in which investors, often from the United States, develop infrastructure like airports, hotels or, especially, power plants in Latin America. It's a complicated and multidisciplinary practice, requiring attorneys to work with banks or other sources of capital and government bodies as well as companies — all in another language. Because of the complicated and high-stakes nature of the work, project finance is largely the province of large firms like Latham & Watkins and Paul Hastings.

Barajas thinks Mexico is a particularly strong candidate for investment at the moment because Standard & Poor's has rated the entire country investment-grade. That means the financial research company, a standard-setter for many investors, has evaluated the country's economic stability as satisfactory or better.

That opens the door for many organizations, whose rules allow them to invest only in investment-grade bodies, to invest in Mexico, which Barajas says is also a natural trade partner with the United States because of its proximity.

But Chile and parts of Central America also have been hot places for U.S. investment, he adds, and free-trade agreements are key to attracting investors. Those agreements include 11-year-old NAFTA, which made trade with Mexico easier for U.S. investors; its cousin CAFTA, the Central America Free Trade Agreement, under consideration by Congress this month; and an independent free-trade agreement between Chile and the United States.

Political stability and a strong economy are also important to attracting U.S. investors, Barajas says. And Latin American countries that want to continue economic growth will seek free-trade agreements in an effort to attract foreign investment.

In contrast to the project finance work, Saldana and Bolt see their group of Latin America-focused attorneys as filling the role of general counsel for U.S. companies that want to do work in Latin America without the overhead of a large firm.

"We can work from Gordon & Rees and provide services for the clients down in Latin

America who don't want to go to the big firms for one-stop shopping," Saldana says. "Through our foundation, we can communicate what's going on in Latin America to American clients. We will essentially take the position of an in-house counsel and provide consultation to clients on what's going on in Latin America."

That's something the Gordon & Rees attorneys can do better than companies' own general counsel, Saldana and Bolt explain, because of their specialized skills. Not only are they bilingual in Spanish and English, they say, but they also understand the civil code that underpins most Latin American countries' legal systems. Even more important, they say, they understand the business culture in Latin America, where personal connections are at least as important as business acumen.

Saldana and Bolt lead a team of seven attorneys at Gordon & Rees who focus on the region, with Saldana handling the litigation end of things and Bolt the corporate transactions. While they've worked on project-finance-like transactions, such as the construction of an airport, they see their group as full-service, with projects running the spectrum of legal issues from intellectual property and insurance litigation to helping an individual client open a coffee shop in Costa Rica.

Unlike Sheppard Mullin, the pair does not see inbound work as a significant part of its practice; Bolt says those clients are "few and far between" compared to those for whom they do the outbound work.

Most attorneys who practice in Latin America agree that geography is not much of a factor in their ability to get the work; much project finance work, such as that of Los Angeles-based Gibson, Dunn & Crutcher, is conducted out of New York or Houston. Blake Franklin, a partner at Gibson Dunn in New York who handles Latin American project finance work, says that's because of the financial talent pool in New York and the energy-industry expertise concentrated in Houston.

"It's not so much a question of where you're based as whether or not the firm has the right experience in the area," Franklin says. "Most firms deal with it from New York or Houston in the energy field and to some extent from Los Angeles."

Barajas says New York was once "the Mecca of project finance," probably in the mid-1990s, but that's not the case anymore because the financial services industry is no longer as concentrated in the city as it once was.

"New York isn't irrelevant, but it doesn't take major focus anymore in getting your deal done," he says. "Some of the top players are on the West Coast or in the Midwest or Texas."

And like Franklin, Barajas thinks geography is less relevant than having the right expertise.

"Essentially, you're geography-blind," he says, "because that person ... will travel anywhere that you need to do the deal. On some transactions, I need to be in Tokyo, Paris, Mexico, Los Angeles and New York [for the same project]."

And for smaller-scale work than project

finance, being near the border may be better, Barajas says, or being near the industry you're serving.

"If you're doing import-export work, you're probably going to be in a better position here in Los Angeles or in San Diego," he says. "The international trade is going to be conducted in Texas or California. Those are Mexico's two largest trading partners."

"And for certain industries" — like the garment and entertainment fields — "you're going to want to be in Los Angeles."

An exception to that rule might be the Mexican law group at San Diego's Luce, Forward, Hamilton & Scripps. That firm's specific focus on Mexican law and the location of its headquarters just 20 minutes' drive from the international border mean geography does play a role, according to partner John McNeece.

"We set up a lot of companies with Tijuana as the domicile, and that's 17 miles away," McNeece says. "We, in effect, are local lawyers for Baja California transactions. And it's not that difficult for us to get over to Mexicali or Ensenada or Tecate."

However, as the firm's Mexican practice has grown — and McNeece says it's grown heavily in recent years — Luce Forward's nine-attorney group has found itself conducting business throughout the country.

"With a certain level of technical skill, you can do deals all over Mexico," he says. "We're helping one client who has a flooring business with a *maquiladora* [manufacturing plant] in the Yucatan peninsula. Increasingly, [we're] doing things nationwide just because [we] have the skill."

McNeece says Luce Forward's practice encompasses project finance work, finance, corporate transactions and real estate, another of the firm's strengths. One project he cites underscores the advantages of being physically near the border: His group was hired to study the legal implications of a project proposed by the San Diego County Water Authority, a \$400 million water desalination plant just across the border in Mexico.

Luce Forward's ventures into Mexican law have paid off, McNeece says. As a result, the firm is devoting resources to expanding the practice; the most recent example is the hire of Bernardo Coindreau, a Mexican-born attorney who's licensed to practice law in Mexico and New York and expects to take the California Bar Exam in February.

"We've simply been able to provide a Mexico practice to a lot of the existing clients of the firm," Coindreau says. "And we've had some high-profile engagements" — such as being retained by Mexican development banker Nacional Financiera, as part of a team studying how to bring more venture capital into Mexico — "that have given us a lot of visibility."

"It's an important part of the Luce Forward practice now," he says. "We're really on the cutting edge, we think, of the cross-border legal practice."