

International Insolvency Institute
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The New Mexican Insolvency Law
and the
Federal Institute of Insolvency Specialists (IFECOM):
Stories from the Trenches



By

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Satelites Mexicanos, S.A. de C.V. (“Satmex”) was formed in 1997 to purchase the satellite business of the Government of Mexico (“GOM”).

Satmex purchase such business on or about November 17, 1997. The owners of Satmex following the purchase were the GOM owing approximately 25% and Servicios Corporativos Satelitales, S.A. de C.V. (“Servicios”), owning 75%. Servicios in turn is owned by Firmamento Mexicano S. de R.L. de C.V. which in turn is owned by Loral Satmex, Ltd.¹ and Principia S.A. de C.V. Loral Space & Communications, Ltd. (“Loral”). See Exhibit “A” for Prepetition Capital Structure. As a result of the purchase transaction, Servicios owed GOM approximately US \$180 million and the debt was secured by Loral and Principia’s interest in Firmamento.

Satmex through the U.S. public and private markets issued US \$600 million in debt securities to finance the purchase of the GOM’s satellite business. In June 2004, Satmex defaulted on its floating rate notes and in November 2004 it defaulted on its fixed rate notes.

¹ Loral filed a Chapter 11 on July 15, 2003.

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After fruitless negotiations, (frustrated because Satmex was unable to get the support of the GOM to the proposed term sheet which had been agreed to by Satmex and key creditors) bondholders commenced an involuntary Chapter 11 in the Southern District of New York. See Exhibit “B” for timeline of significant events. Initially, it appeared that Satmex supported the Chapter 11. If this was true at all, it was probably due to Satmex’s concerns that negotiating with the GOM over its US \$180 million claim would be difficult if conducted solely within a Mexican context.

In any event on June 29, 2005 Satmex filed a “concurso mercantil” and on July 7, 2005, Satmex filed a motion to dismiss the involuntary petition. The petitioners’ opposed the motion to dismiss arguing, among other things, that the “concurso” should not be accorded comity because the Mexican Ministry of Communications and Transportation (“SCT”) is under applicable Mexican law given “complete and unfettered control” over Satmex’s insolvency proceeding. Specifically, the petitioning creditors argued that the SCT could displace management, could appoint a conciliator, could veto any proposed restructuring plan. Satmex disputed these assertions.

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The parties (Satmex and the petitioning creditors) reached an agreement and the involuntary case was dismissed “without prejudice” on August 8, 2005. The August 8, 2005 order dismissing the involuntary case contains a number of milestones, failure to meet any of which could be cause to allow creditors to take action against Satmex in the United States. One such milestone is the launch of Satmex6 (a new satellite) by June 30, 2006. On September 20, 2005, the conciliator recommended by SCT was appointed and on May 4, 2006 the concurso agreement was filed with the Mexican bankruptcy court. The concurso agreement calls for the implementation of the restructuring through confirmation and consummation of a Chapter 11 plan to be filed in a Chapter 11 case to be filed by Satmex in the Southern District of New York.

Satmex Corporate Organization and Prepetition Debt Structure

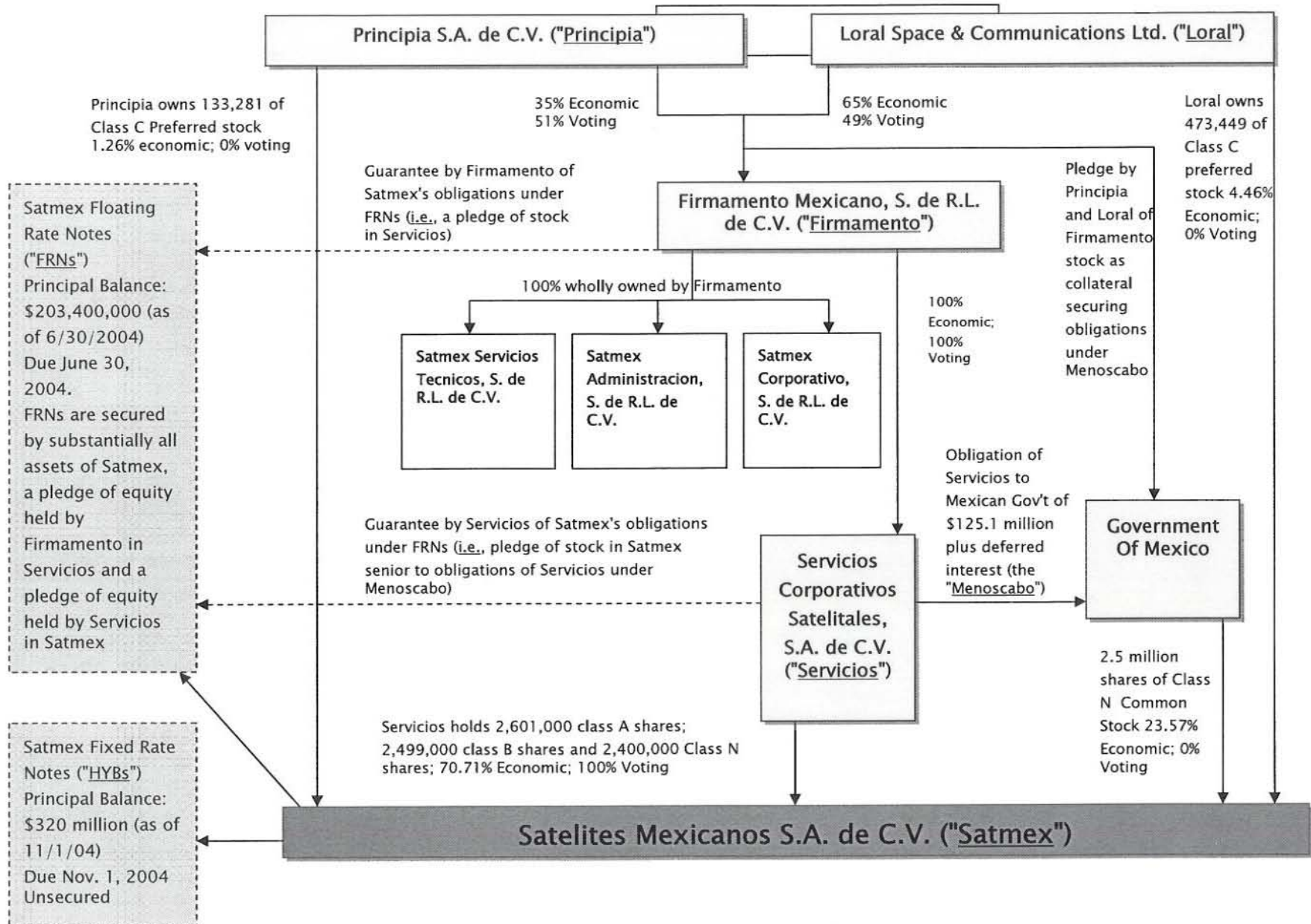


EXHIBIT A

SATMEX

