

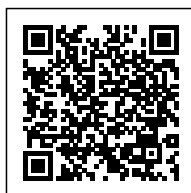
SOLVING THE INSOLVENCY ISSUES-ARAOZ & RUEDA

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Alejandro Fernández de Araoz believes that the outlook for Spain's economy is bleak.

La crisis económica ha pasado factura a los bancos y empresas españolas por igual. La situación no parece que vaya a cambiar en los próximos años; sin embargo, la reestructuración de las cajas presenta nuevas oportunidades de inversión, según Alejandro Fernández de Araoz, de Araoz & Rueda en Madrid.

The Araoz & Rueda founder points to IMF and OECD prediction of five to 15 years of tough times ahead. Likewise, Prime Minister José Luis Rodríguez Zapatero's recent decision not to stand for re-election in 2012 means political changes are also likely next year.

The general outlook is forcing not only large companies to find new business opportunities abroad but also small and medium-sized enterprises (SMEs); for many it is now a matter of survival, he says. Large numbers of SMEs have also stopped trading in recent years and it is a section of the economy

that will take years to rebuild.

Even so, the boom of insolvencies is tailing off, believes Fernández de Araoz. This provides mixed blessings for creditors; while many of the large insolvencies have been finalised lenders are more aware that getting remedies from troubled companies is a hard task.

"About 96 percent of companies that enter into administration end up being liquidated," he says.

"Creditors are realising that it can sometimes be better to agree a poor deal in terms of money owed than go through the costs and resources needed to claw back money once a company is in liquidation."

Matters are compounded by the restructurings of the cajas from non-accountable organisation to de facto public listed companies. The change has generated a huge amount of legislation and is therefore providing many law firms, including his, with some optimism.

"I do expect M&A to pick up on the back of these restructurings," Fernández de Araoz says. "We are now advising investors on various opportunities related to the Cajas which are at a unique junction, as they strive to find and create a fresh capital base and consolidate to gain size and create synergies."