

DEALMAKERS

Avila Rodriguez Completes \$947M City National Purchase

Dealmakers: Alcides Avila, Asnardo Garro, Javier Alvarez and Chris Avila

The Deal: The Avila Rodriguez Hernandez Mena & Ferri attorneys represented Banco de Credito e Inversiones, Chile's third-largest bank, in its \$947 million acquisition of Miami-based City National Bank of Florida on Oct. 16.

City National Bank was sold by Spain's Bankia, which was forced to take a government bailout during the financial crisis and required to sell its foreign assets.

Details: The deal was more than two years in the making. The Avila Rodriguez attorneys anticipated closing in no more than a year when the purchase agreement was signed in May 2013.

But that timeline lengthened considerably for two

main reasons. This is the first time a Chilean bank acquired a U.S. bank, and the 2010 Dodd-Frank Act tightened oversight and supervision of financial institutions and introduced stricter capital requirements.

While Chilean banking regulators gave their blessings in 2014, the U.S. Federal Reserve scrutinized the sale very closely, said Garro and Alvarez.

Drawing the Fed's particular attention were Bci's six holding companies — Bci itself and five above it.

"What made that complicated was that none, other than Bci, were financial institutions. They were family-



A.M. HOLT

Javier Alvarez, Alcides I. Avila, and Asnardo Garro (from left to right) represented Banco de Credito e Inversiones in its \$947 million acquisition of Miami-based City National Bank of Florida.

owned companies," Garro said. While in many countries, including the U.S., the ultimate bank holding company is a financial institution, that is not the case in Latin America, he said.

The Fed required restructuring of the holding companies. "There were supervision concerns with the structure of the

companies above Bci," Garro said. "We had a complex structure that was restructured for the purpose of providing greater transparency and reducing the complexity of the structure to meet the requirements of approval."

While the restructuring was handled by Chilean legal counsel, the Avila Rodriguez

attorneys were active in determining how that needed to be done, Garro said.

The attorneys became involved in February 2013 when Bci expressed interest in the acquisition. Bci is a longtime client, dating back to 1999 when members of the team represented it in opening a Miami office. They practiced with Holland & Knight at the time.

"Our client had been looking for potential acquisition targets in the U.S.," and City National Bank was attractive, Alvarez said.

"City National Bank is a really good franchise locally," Garro said. "It is one of the flagship community banks in South Florida. I think it was very attractive to many banks."

Goldman Sachs, Bankia's financial adviser, oversaw the bidding process. In March 2013, those interested were given a month to submit bids, and the Avila Rodriguez attorneys had the same amount of time to conduct due diligence. They negotiated a purchase agreement, which was signed May 24, 2013. In July, they

filed a notification with the Fed, and that launched two years of back-and-forth communications.

"A 2½-year process takes a toll on the transaction," Garro said. "The good thing was we had two parties that really wanted to make this happen."

Finally on Sept. 21, the Fed gave the sale a green light, which was followed by a 15-day waiting period.

"We gave ourselves some extra time to make sure the closing went smoothly," Alvarez said. "Over two years, we had time to have everything ready to go. Once the approval came in, it was a relatively smooth process."

City National Bank, which had \$6.2 billion in assets as of Sept. 30, will operate under the same name and management team led by president and CEO Jorge Gonzalez, Bci said in a statement announcing the acquisition. Bci's Miami branch will continue separate operations.

"This acquisition puts City National Bank in a unique and enviable position," Gonzalez said in the state-

ment. "It makes us a global community bank backed by one of the strongest banks in Latin America."

The bank has 26 branches from Miami to the Orlando area. BauerFinancial, a Coral Gables rating firm, gives it a five-star, or superior, rating.

Bci, with about \$36 billion in assets, has other offices in Mexico City, Lima, Sao Paulo, Bogota and Shanghai and a business desk in Madrid. It is traded on the Santiago Stock Exchange. The acquisition of City National Bank marks the single largest investment by a Chilean company in the U.S., according to Bci.

"City National Bank will play an essential role in our international expansion through the ownership of a domestic bank strategically located in the gateway of the Americas," Bci CEO Eugenio Von Chrismar said in the statement.

City National Bank got its start in 1946 when Leonard Abess Sr. and Baron de Hirsch Meyer founded North Shore Bank in Miami Beach. In 2008, Caja Madrid of Spain bought the bank from Leonard Abess Jr., who fa-

mously shared \$60 million of the proceeds with his current and former employees after the first phase of the sale was completed. Caja Madrid merged with several other Spanish banks to form Bankia in 2010.

The Avila Rodriguez attorneys represented Caja Madrid in the City National Bank purchase. In a more recent deal, they represented the Benacerraf Group in its agreement this year to acquire Miami-based Espirito Santo Bank.

Comment: "We all felt confident and the client felt confident we could get this done," Alvarez said. "There were definitely some challenging periods throughout the process."

Background: Alcides Avila, Garro and Alvarez are partners in the Coral Gables firm's corporate and financial services group. Chris Avila is an associate, concentrating on business and real estate law. The firm was launched by seven attorneys, including Alcides Avila and Garro, after leaving Holland & Knight in 2007.

—Mary Hladky