

BUSINESS REORGANIZATION ACT
[LEY DE CONCURSOS MERCANTILES]

TITLE FIRST

Miscellaneous Provisions and Business Reorganization Declaration

Chapter I

Preliminary Provisions

Article 1. This is a public policy law aimed at regulating business reorganization.

It is in the public interest to preserve companies and prevent that the generalized default of payment obligations jeopardize the continuation of the companies themselves and the companies with which they have dealings.

Article 2. The business reorganization proceeding consists of two successive stages, namely, the conciliation stage and the bankruptcy stage.

Article 3. The conciliation stage is aimed at preserving the Merchant's enterprise through the agreement signed with his Recognized Creditors. The purpose of the bankruptcy is to sell off the Merchant's enterprise, its productive units or the property forming the same in order to repay its Recognized Creditors.

Article 4. For the purposes of this Act:

I. Recognized Creditors shall mean those creditors recognized as such by the debt recognition, ranking and preference judgment;

II. Merchant shall mean the individual or legal entity recognized as such by the Commercial Code [**Código de Comercio**]. This term includes the trust fund when allocated to carry own business activities. It also includes the business holding companies or controlled business companies to which Article 15 of this Act refers;

III. Domicile shall mean the corporate domicile and, if there is no such corporate domicile, the principal place of management of the enterprise. In the event of branches of foreign enterprises, it shall be the place where its principal place of business is located in the Republic of Mexico. If the Merchant is an individual, it shall mean the principal place of business of his enterprise and, failing this, his private home address;

IV. Institute shall mean the Federal Institute of Business Reorganization Specialists [**Instituto Federal de Especialistas de Concursos Mercantiles**];

V. Estate shall mean the portion of the estate of the Merchant declared in business reorganization which is made up by his properties and rights, other than those expressly excluded pursuant to this Act, to which the Recognized Creditors and others are entitled, and on which they may collect their credits; and

VI. UDIs shall mean the Investment Units [**Unidades de Inversión**] to which reference is made in the executive order published on the *Official Gazette of the Federation* on April 1st, 1995.

Article 5. Small merchants may only be declared under business reorganization when they agree voluntarily and in writing to submit to the application of this Act. For the purposes of this Act, small merchant shall be deemed to be any Merchant whose current and overdue obligations as a whole do not exceed the equivalent of 400,000 UDIs upon the filing of the application or demand.

Any state-owned enterprises formed as business associations may be declared in business reorganization.

Article 6. If this Act states a specific number of days to hold a hearing, to carry out any diligence or act, or to exercise any right, but does not specify the type of days, it shall be understood to be business days. Where express reference is made to a term, if such deadline expires on a non-business day, it shall be understood to have expired on the immediately succeeding business day.

Article 7. The judge is the director of the business reorganization proceeding and shall have the necessary authority to enforce the provisions of this Act. The judge or the Institute shall be held liable for defaulting his/its duties within the deadlines set by this Act, unless such default is due to force majeure or acts of God.

Article 8. The following statutes apply to this Act as supplements, in the order of appearance:

- I. The Commercial Code;
- II. The commercial laws;
- III. The special and general commercial usages;
- IV. The Federal Code of Civil Procedure; and
- V. The Civil Code for Federal Issues. [Código Civil en materia federal]

Chapter II

Events of Business Reorganization

Article 9. Any Merchant who generally defaults his payment obligations shall be declared under business reorganization.

A Merchant shall be deemed to have generally defaulted its payment obligations:

- I. If the Merchant files a petition for business reorganization declaration and falls in any of the events listed in Article 10, Section I or II; or
- II. If any creditor or the District Attorney demands that the Merchant be declared under business reorganization and the Merchant falls in the two events listed in Article 10, Sections I and II.

Article 10. For the purposes of this Act, a Merchant's generalized default of his payment obligations to which Article 9 refers is the default of the Merchant's payment obligations to two or more different creditors, and the following events take place:

I. That out of the overdue obligations to which the preceding paragraph refers, those which have matured for at least thirty days account for 35% or more of all of the Merchant's obligations as of the date on which the demand or application for reorganization; and

II. The Merchant has no assets of those listed in the following paragraph, to pay for at least 80% of his overdue obligations as of the date of the demand.

The following are the assets that must be taken into consideration for the purposes of Section II of this Article:

- a) Cash on hand and demand deposits;
- b) Term deposits and investments maturing in no more than ninety calendar days following the date on which the demand is admitted;

c) Customers and accounts receivable maturing in no more than ninety calendar days following the admission date of the demand for declaration; and

d) Securities for which purchase and sale transactions are regularly carried out in the relevant markets, that can be realized within a maximum thirty-banking-day term, and whose value as of the demand filing date is known.

The inspector's report and the opinions of experts, if any, offered by the parties must expressly deal with the issues listed in the above Sections.

Article 11. A Merchant shall be presumed to have generally defaulted his payment obligations in any of the following events:

I. The non-existence or insufficiency of properties upon which to perform a seizure due to the default of an obligation or upon attempting to enforce a judgment issued and having effect of *res judicata*;

II. The default in the payment of obligations to two or more different creditors;

III. The hiding or absence, without appointing someone to manage or run his enterprise who can comply with his obligations;

IV. In the same circumstances mentioned in the preceding Section, the shutdown of his enterprise's facilities;

V. Resorting to ruinous, fraudulent or fictitious practices to attend to or cease fulfilling his obligations;

VI. The default of monetary obligations under an agreement executed pursuant to Title Fifth of this Act; and

VII. In any other analogous events.

Article 12. The Merchant's succession may be declared under business reorganization if the enterprise of which the Merchant was owner is in any of the following circumstances:

I. It continues as an ongoing business; or

II. After ceasing the enterprise operations, the creditors' causes of action have not expired.

In such events, any obligations attributed to the Merchant shall be payable by his succession, represented by the executor. If the succession estate has already been disposed of, they shall be payable by the Merchant's heirs and legatees, pursuant to the provisions of the applicable legislation. In the event of obligations attributable to the Merchant, they shall be payable by the heirs and legatees under inventory benefit and up to the extent of the succession estate.

Article 13. The Merchant that suspended or terminated the operation of his enterprise, may be declared under business reorganization upon his general default, pursuant to Article 10 of this Act, of its payment obligations assumed by virtue of the operation of his enterprise.

Article 14. The declaration of business reorganization of a company implies that the stockholders who are liable without limitation shall also be considered as defendants in the business reorganization process. The fact that the stockholders individually prove that they can meet the company's payment obligations does not release them from the business reorganization declaration, unless such stockholders, with their own funds, pay the company's overdue obligations.

The proceeding may be commenced jointly against the company and its stockholders. Any proceedings involving the stockholders shall be joined with any proceedings involving the company, but shall be conducted separately.

The business reorganization declaration of one or more stockholders who are liable without limitation, individually, shall not bring about the company's business reorganization declaration.

The business reorganization of an irregular company will bring about the business reorganization of stockholders who are liable without limitation and of those which are proven to have declared themselves to be liable with limitation without any grounds for doing so.

Article 15. Except as provided in the next paragraph, the business reorganization proceedings of two or more Merchants shall not be joined.

The business reorganization proceedings of the following shall be joined but will be processed under separate cover:

- I. Holding companies and their controlled companies, and
- II. Two or more companies controlled by the same holding company.

For the purposes of this Act, companies meeting the following requirements shall be deemed to be business holding companies:

- I. To be a Mexican resident companies;
- II. To own over 50% of the voting stock of another or other controlled companies, even if such ownership is held through other companies which in turn are controlled by the same holding company; and
- III. Under no circumstances no other company or companies own over 50% of its voting stock.

Voting stock shall be any stock having limited voting rights and which pursuant to the commercial legislation are known as preferred stock; in the case of companies which are not stock companies, the value of the capital contributions shall be taken into consideration.

Companies in which over 50% of their voting stock is owned either directly or indirectly or both by a holding company, shall be regarded as controlled companies. For this purpose, the indirect ownership mentioned in this paragraph shall be the holding company's ownership through another company or other companies which in turn are controlled by the same holding company.

Article 16. The branches of foreign companies may be declared in business reorganization. Such declaration shall only encompass the properties and rights located and requirable, as the case may be, in the Mexican territory and payable to creditors due to transactions carried out with said branches.

Chapter III

Procedure to Declare the Business Reorganization

Article 17. The District Judge with jurisdiction in the place where the Merchant has his domicile shall be competent to hear a Merchant's business reorganization.

Article 18. Any procedural exceptions, such as any claim that the judge is not competent and lack of legal status, do not stay the proceeding. The business reorganization declaration proceeding shall not be stayed by the filing and processing of legal remedies against any rulings issued by the judge.

The judge must outright reject any exceptions which are clearly improper, and may decide on any procedural exceptions in one or more interlocutory judgments or in the final judgment.

Article 19. If the exception of lack of legal status of the plaintiff or the objection raised to the qualifications of anyone holding himself as Merchant's representative is declared proper, the judge will grant a maximum term of ten days to remedy any defects in the filing, if such defects can be remedied. If the defects are not remedied, when the Merchant's right to sue is involved, the proceeding will be continued under the Merchant's contempt of court. If the plaintiff's right to sue is not remedied, the judge will supersede the proceeding forthwith.

Article 20. Any Merchant who believes that he has generally defaulted his obligations in the terms of either of the two events listed in Article 10 of this Act, may file a petition for business reorganization declaration.

The petition for business reorganization declaration filed by the Merchant must include the Merchant's full name, trade name or corporate name, the address for service of process purposes and the corporate domicile, if any, and the addresses of his various offices and facilities, including plants, storehouses or warehouses, and specify, if necessary, where his enterprise's main management is conducted or, if he is a natural person, his home address, and the following documents must be attached to it:

I. The Merchant's financial statements for the last three fiscal years, which must be audited if the law demands such audit;

II. A memorandum explaining what caused him to default;

III. A list of his creditors and debtors with their names and addresses, the maturity date of any credit or credits payable to them, the extent to which in his opinion such credits should be recognized, the specific characteristics of said credits, and any real or personal collaterals posted to guarantee repayment of his own and third party's debts; and

IV. An inventory of all his real and personal properties, securities, commercial wares and rights of any other kind.

The petition must be processed pursuant to the subsequent provisions related to the demand.

Article 21. Any Merchant creditor or the District Attorney [**Ministerio Público**] may demand a business reorganization declaration.

If throughout the processing of a commercial lawsuit a judge detects that a Merchant falls in any of the events listed in Article 10 or 11 of this Act, he will by operation of law so advise the competent tax authorities and the District Attorney so that the latter, if proper, file a demand for business reorganization declaration. The tax authorities shall only demand a Merchant's business reorganization for any taxes owing to them.

Article 22. The demand for business reorganization must be signed by whoever files it and list:

I. The name of the court before which it is filed;

II. The plaintiff's full name and address;

III. The defendant Merchant's name, trade name or corporate name including, when this information is available, those of his offices, production plants, storehouses or warehouses;

IV. The facts that give rise to the petition, briefly, clearly and accurately explained;

V. The legal grounds for the demand; and

VI. The petition that the Merchant be declared under business reorganization.

Article 23. Any demand filed by a creditor must be accompanied by:

I. Documentary evidence of his status as creditor;

II. The document conclusively establishing that the guarantee to which the following Article refers has been created; and

III. The original documents or certified copies that the plaintiff may have in his possession and which will serve as evidence filed by him.

Any documents filed afterwards will not be admitted, unless they are the documents that serve as evidence against the exceptions raised by the Merchant, those have a date after the filing of the demand and those which, even though they were dated before, the plaintiff, under oath, declares that he was not aware of them at the time he filed the demand.

If the plaintiff has not available the documents to which this Article refers, he must indicate the archives or place where the original documents are kept, so that, before accepting the demand for processing, the judge order that a copy thereof be made, at the plaintiff's expense.

Article 24. If the judge finds no reason to declare improper or any defect in the brief of petition or demand for business reorganization, or if any deficiencies are cured, will accept the petition or demand. The decree admitting the petition or demand shall cease to be in effect if the plaintiff does not guarantee payment of the inspector's fees at the rate of 1500 days the minimum daily wages in the Federal District, within three days following the date on which the decree admitting the petition or demand for processing is notified to him.

Such guaranty will be returned to the plaintiff if the judge rejects the petition or demand or issues a judgment declaring the business reorganization.

If the District Attorney files the demand for reorganization, the guaranty referred to in this Article shall not be necessary.

Article 25. Any creditor who demands the declaration of a Merchant's business reorganization may ask the judge to order any preventive remedies or, if proper, a change of any such order. The creation, modification or cancellation of such preventive remedies will be governed by the provisions of the Commercial Code.

Article 26. Once a demand for business reorganization has been admitted, the judge will summon the Merchant and will grant him a nine-day term to file his answer to the complaint. The Merchant must offer, in his answer, such evidence as may be authorized by this Act.

The judge, upon the Merchant's request, or by operation of law, will order such preventive remedies as he may deem necessary in order to prevent jeopardizing the feasibility of the enterprise due to the demand or other demands filed during the visit, or that such risk be worsened, in order to protect the public interest to which Article 1 of this Act refers.

The day following the date on which the judge receives the answer, he will submit a copy thereof to the plaintiff so that, within three days, the plaintiff make such statements as may benefit his rights and, if proper, make additions to his offer of evidence.

The day following the expiration date of the term to which the preceding paragraph of this Article refers without the Merchant having filed his answer, the judge shall attest to this fact by declaring precluded the Merchant's right to file an answer, and the proceeding will continue. The failure to answer on time, unless otherwise proven, shall imply that the facts listed in the demand that may be critical for the declaration of business reorganization are true. The judge must issue a judgment declaring the business reorganization within the next five days.

Article 27. With the answer to the demand the documentary evidence and any expert opinions filed in writing shall be admitted. Whoever files an expert opinion must accompany to such opinion the information

and documents that establish the expertise and technical know-how of the corresponding expert. Under no circumstances will the experts be summoned for questioning.

With his answer to the demand, the Merchant may offer, in addition to the evidence to which the preceding paragraph refers, any evidence that may directly disprove the event mentioned in Article 10 of this Act, and the judge may order the production of such additional evidence as he may deem advisable, but the production of such evidence must not exceed thirty days.

Article 28. Any Merchant who filed a petition for his own business reorganization declaration or the creditors, if any, that sued such Merchant's business reorganization, may withdraw his/their petition or demand, provided that all of the creditors grant their express consent to so do. The Merchant or the plaintiff's creditors will bear the proceeding-related expenses, including the inspector's fees and the conciliator's fees, if any.

Chapter IV

Inspection Visit

Article 29. The day after the judge admits the demand, he must send a copy thereof to the Institute and order the latter to appoint an inspector within five days following the date on which the Institute receives such copy of the demand. Likewise, and within the same term, he must report the demand to the competent tax authorities for such purposes as may be in order, and will immediately issue the respective official letters.

One day, at the latest, following the inspector appointment date, the Institute must report such appointment to the judge and to the inspector thus designated. The inspector, within five days following the date of his appointment, shall report to the judge the names of the persons who will assist him to perform his duties; no one who has not been so designated may participate in the inspection visit. One day after becoming aware of such designations, the judge will issue a ruling so that the parties to the business reorganization proceeding may become aware of such designations.

Article 30. Once the copy has been served to which Article 26, second [third] (sic) paragraph, of this Act refers, an inspection visit shall be made to the Merchant so that the inspector:

- I. Report on whether or not the Merchant committed any of the events listed in Article 10 of this Act, and the maturity date of the credits related to such facts; and
- II. Suggest to the judge such preventive remedies as he may deem necessary to protect the Estate, pursuant to Article 37 of this Act.

If a business holding or controlled company is involved, the inspector must state that situation in his report.

Article 31. One day following the date on which the judge receives the inspector's appointment made by the Institute, he shall order the inspection visit. The corresponding decree must in addition state the following:

- I. The name of the inspector and his assistants;
- II. The place or places where the corresponding inspection visit must be paid; and
- III. The books, records and other documents of the Merchant that will be reviewed during the inspection visit, and the duration of such inspection visit.

The decree ordering the inspection visit shall have effects of an order on the Merchant to allow the conduction of the inspection visit.

Article 32. The inspector must show up at the Merchant's domicile within five days following the date on which the inspection visit is ordered. If upon the end of said term the inspector has not shown up to carry out the inspection visit for any reason, the judge hearing the case or the creditors that sued the Merchant, through the judge, may request the Institute to appoint a substitute inspector. Once the substitute inspector has been appointed, the Institute shall so advise the judge so that the latter modify the inspection visit order.

Article 33. If upon the inspector showing up at the place where the inspection visit must be carried out the Merchant or his representative is not in, he will hand over a citation to the person present at such place, so that he expect him at a specific time on the next day in order to take notice of the content of the inspection visit order; if there is no one who can attend to the inspection visit, the inspector must ask the judge to warn the Merchant, after the Rulings Clerk of the Bankruptcy Court carries out an inspection, that, if the Merchant insists on not being present, he will be declared under business reorganization.

If in the inspector's opinion it is not necessary to indicate other places to carry out the inspection visit, he must so request the judge so that the latter order as proper.

Article 34. The inspector must prove his appointment with the corresponding orders. Both the inspector and his assistants must identify themselves with the Merchant prior to commencing the inspection visit.

The inspector and his assistants shall have access to the Merchant's accounting books and records and financial statements, as well as to any other document or electronic data storage means containing the financial and accounting condition of the Merchant's enterprise and that may be related to the inspection visit purposes. Likewise, they may carry out direct examinations of properties, merchandise and transactions, and interview the Merchant's executive, managing and administrative staff, including the Merchant's financial, accounting or legal external counsel.

Article 35. The Merchant and his staff must collaborate with the inspector and his assistants. If they do not provide such collaboration, hinder the inspection visit or do not provide to the inspector or his assistants such data as may be necessary in order for them to issue their report, the judge, upon the inspector's petition, may order the application of such coercive action as he may deem pertinent, and warn the Merchant that, if he fails to collaborate, he will be declared in business reorganization.

Article 36. Upon completing his inspection visit, the inspector shall draw up a record in which he will list, in a detailed manner, any facts or omissions detected by the inspector and his assistants in connection with the inspection visit purpose.

The inspection visit record must be drawn up before two witnesses appointed by the Merchant, for which purpose the inspector must advise the Merchant in writing, twenty four hours in advance, the day on and time at which the record will be drawn up; if the Merchant refuses to appoint the witnesses, the record will be drawn up in the presence of the Rulings Clerk of the Bankruptcy Court. The Merchant and the witnesses must sign the record; if they refuse to so sign, such fact must be included in the record, but such refusal to sign will not impair the validity of the record.

The inspector and his assistants may reproduce by any means any documents for seizure to the inspection visit record, after comparing the copies with the originals. The inspector may attest to any facts of which he is aware regarding the inspection visit, by means of a public attester, and it shall not be necessary to issue summons or set days and times for the inspection visit purposes.

Article 37. In addition to the preventive remedies to which Article 25 of this Act refers, the inspector may ask the judge, throughout the inspection visit, to order, change or cancel the preventive remedies to which this Article refers, in order to protect the Estate and the creditors' rights, and must provide the reasons in all events of his request.

The judge may order such preventive remedies as he may deem necessary either by operation of law or upon the inspector's request.

The preventive remedies may include the following:

- I. The prohibition to pay any obligations that mature before the business reorganization petition or demand admission date;
- II. The suspension of any enforcement proceeding on the Merchant's properties and rights;
- III. The prohibition that the Merchant dispose of or encumber the principal properties of his enterprise;
- IV. The seizure of property;
- V. The appointment of a conservator for the Merchant's cash on hand;
- VI. The prohibition to transfer funds or securities to third parties;
- VII. The restraining order issued against the Merchant, so that he may not leave the place where his domicile is located without appointing, by means of a power of agency, an agent in fact with sufficient instructions and money to meet the expenses. If the Merchant who has been subject to a restraining order proves that he complied with the foregoing requirements, the judge will cancel the restraining order; and
- VIII. Any other analogous preventive remedies.

Article 38. The preventive remedies will subsist until the judge orders their cancellation.

The Merchant may avoid the application of the preventive remedies or else request the cancellation of any preventive remedies ordered, provided that the Merchant posts a bail to the judge's satisfaction.

Article 39. The Merchant's statements regarding the existence of documentary evidence which are not in his possession, must be included in the inspection visit record.

Article 40. The inspector, based on the information included in the inspection visit record, must issue to the judge, within fifteen calendar days following the inspection visit commencement date, a justified and itemized report that takes into consideration any facts raised in the demand and in the answer to the demand, and attach to the same the inspection visit record. The report must be filed in the forms thereunto issued by the Institute.

The inspector must file his report within the term mentioned in the preceding paragraph; however, he may ask the judge for an extension to file his report, with cause. The extension will not exceed fifteen calendar days.

Article 41. The day following the date on which he receives the inspector's report, the judge shall make it available to the Merchant, his creditors and the District Attorney so that, within ten days afterwards, they file their allegations in writing, and for the other purposes of this Act.

Chapter V

Business Reorganization Judgment

Article 42. Without issuing citations, the judge will issue the corresponding judgment within five days following the expiration of the term granted to file pleadings considering what the parties stated, proved and alleged, besides the inspector's report. The judge must weigh the evidence produced by the parties, including the inspector's report.

Article 43. The business reorganization judgment will include:

- I. The name, trade name or corporate name and address and Domicile of the Merchant and, if proper, the full name and addresses of the stockholders who are liable without limitation;

II. The date in which the judgment is issued;

III. The foundations for the judgment pursuant to Article 10 of this Act, as well as a list of the creditors, if any, that the inspector detected in the Merchant's accounting records, indicating the amounts owing to each of them, on the understanding that this does not exhaust the credit recognition, ranking and preference to which Title Fourth of this Act refers;

IV. The order issued to the Institute to appoint the conciliator through the random mechanism previously established, together with the determination that, in the meantime, the Merchant, his administrators, managers and dependents shall have the obligations assigned by Act to depositaries;

V. The declaration of commencement of the conciliation stage, unless the Merchant filed a bankruptcy petition;

VI. The order issued to the Merchant to immediately make available to the conciliator its enterprise's books, records and other documents, and the necessary funds to pay for the publications required by this Act;

VII. The order to the Merchant to allow the conciliator and the conservators to carry out their duties;

VIII. The order to the Merchant to stop the payment of any debts assumed prior to the effective date of the business reorganization judgment, other than those that may be essential for the enterprise's regular business, as to which he must report to the judge within twenty four hours following the date on which it makes the payments;

IX. The order to stay, throughout the conciliation stage, any seizure or enforcement order against the Merchant's properties and rights, with the exceptions listed in Article 65;

X. The retroactivity date;

XI. The order to the conciliator that he publishes a summary of the judgment pursuant to Article 45 of this Act;

XII. The order to the conciliator to record the judgment in the Public Register of Commerce of the Merchant's Domicile and of all other places in which he has an agency, branch, or else property subject to recordation in some public register;

XIII. The order to the conciliator to commence the credit recognition proceeding;

XIV. The notice to the creditors so that those who so wish apply for the recognition of their credits; and

XV. The order for a certified copy of the judgment to be issued, at the expense of the party requesting the certified copy.

Article 44. The day following the date on which the judgment is issued that declares the business reorganization, the judge must personally serve it on the Merchant, the Institute, the inspector, the creditors whose addresses are known and the competent tax authorities, via registered mail or otherwise as permitted by the applicable laws. The judgment will be served on the District Attorney by means of an official letter. Likewise, the judgment must be served on the union representative and, if there is no union representative, the Attorney General for Labor Defense [**Procurador de la Defensa del Trabajo**], by means of an official letter.

Article 45. Within five days following his appointment, the conciliator shall request the recordation of the business reorganization judgment on the corresponding public registers, and shall cause the

publication of a summary of the same, on two consecutive occasions, on the *Official Gazette of the Federation* and on one of the largest circulation dailies of the place where the lawsuit is taking place.

The parties that are not notified as provided in the preceding Article, shall be deemed notified of the business reorganization judgment, on the date of the last publication made pursuant to this Article.

Article 46. If five days elapse following the expiration of the term granted to publish the judgment and the judgment has not been published, any creditor or conservator may ask the judge to surrender to him such documents as may be necessary to make the publications. The judge will surrender such documents to whoever first requests them. The corresponding expenses shall be charged to the Estate.

Article 47. The judgment will bring about the Merchant's restraint and, in the case of legal entities, of the parties charged with the administration of such legal entities, only to prevent them from leaving the place of the Domicile without leaving behind any attorney in fact appointed by means of a power of attorney, with sufficient instructions and money to meet expenses. Once the party who has been made subject to a restraining order proves that he complied with the aforesaid requirements, the judge will cancel the restraining order.

Article 48. Any judgment issued declaring that no business reorganization is in order, will order things back to the state that existed prior to the judgment, and the cancellation of any preventive remedies ordered or the release of any collaterals created to avoid such imposition. The judgment must be personally served on the Merchant and the plaintiff creditors, if any. The judgment shall be served on the District Attorney by means of an official letter.

In any event, all acts of administration legally carried out, and any rights acquired in good faith by third parties, must be respected.

The judge will sentence the plaintiff to pay any court fees and expenses, including the inspector's fees and expenses.

Chapter VI

Appeal Against the Business Reorganization Judgment

Article 49. An appeal may be filed against the judgment denying the business reorganization. Such appeal shall stay the business reorganization process. An appeal may be filed against the judgment granting the business reorganization. Such appeal shall not stay the reorganization proceeding unless it is declared valid.

The Merchant, the inspector, the plaintiff creditors and the District Attorney may file the appeal.

Article 50. The appeal must be filed in writing, within nine days following the effective date of the judgment service, and in his brief the appellant must list the injuries caused to him by the judgment, offer evidence and, if proper, indicate evidence to draw up the certification of appeal.

The judge, in the decree admitting the appeal, shall order a copy of such appeal to be submitted to the appellee so that, within nine business days, he file his brief, offer evidence and, if proper, indicate evidence to add to the certification. The judge will order that record be made of the filing of the appeal and of the forwarding of the corresponding appeals record to the court of appeals within three days, if original records are available, or five days, if a certification is involved.

In his appellant's brief, the Merchant may offer such evidence as is permitted by this Act, and specify the issues that such evidence shall address.

Article 51. The court of appeals, within two days following receipt of the notarial copy of the records, as the case may be, will issue a decree admitting or refusing the appeal, and will decide on the offered evidence and, if proper, will grant a fifteen-day term to produce such evidence. The court of appeals may extend

such fifteen-day term for an additional fifteen-day term, if it has not been possible to produce some evidence due to causes not imputable to the party who offered the evidence.

If it is not necessary to produce any evidence, or if the admitted evidence has been produced, a ten-day term will be granted to produce allegations, first by the appellant and then by the other parties. The court of appeals, within five days following the expiration of said terms, must issue, without further steps, the corresponding judgment.

Article 52. The judgment that revokes the business reorganization must be recorded on the same public register of commerce on which the judgment granting the business reorganization was recorded, and the public registers will be advised so that they cancel the corresponding recordations.

Article 53. The judgment revoking the business reorganization will be served and published as provided in Articles 44 and 45 of this Act and the provisions of Article 48 of this Act shall be applied as proper.

TITLE SECOND

Business Reorganization Bodies

Chapter I

The Inspector, the Conciliator and the Receiver

Article 54. The inspector, the conciliator and the receiver shall have the duties and authority expressly conferred upon them by this Act.

Article 55. The inspectors, conciliators and receivers may hire, with the judge's authorization, such assistance as they may deem necessary to perform their duties; however, such hiring shall not imply the delegation of their respective duties.

Article 56. The inspector's, conciliator's or receiver's appointment may be challenged by the Merchant and by any creditor before the judge, within three days following the date on which the appointment was reported to the Merchant and the creditors, pursuant to Article 31, 149 or 172, of this Act. Such challenge will be admitted only when any of the events listed in Article 328 of this Act takes place. The challenge will be processed through ancillary proceedings.

The judge may refuse the appointment made by the Institute in any of the events listed in Article 328 of this Act, and must report such rejection to the Institute so that the latter makes a new appointment.

Article 57. The challenge to the inspector's, conciliator's or receiver's appointment will not prevent him from taking office and will not stay the inspection visit, the conciliation or the bankruptcy.

Article 58. If this Act does not set a term to carry out the inspector's, conciliator's or receiver's duties, it shall be understood that said duties must be fulfilled within thirty calendar days unless, upon the inspector's, conciliator's or receiver's request, the judge authorizes a longer term, which shall not exceed thirty more calendar days.

Article 59. The receiver and the conciliator, if any, must issue every two months, to the judge, a report on the work they carry out in the Merchant's enterprise and must file a final report on their activities. All of such reports shall be made available to the Merchant, the creditors and the conservators through the judge.

Article 60. The Merchant, the conservators and the creditors, individually, may report to the judge any acts or omissions by the inspector, the conciliator or the receiver that do not abide by the provisions of this Act. The judge will issue such coercive actions as he may deem advisable and, if proper, may request the Institute to replace the inspector, conciliator or receiver in order to avoid any Estate impairment.

If by virtue of a final judgment some inspector, conciliator or receiver is sentenced to pay damages and losses, the judge must forward a copy of such judgment to the Institute for the purposes of Article 337, Section VI, of this Act.

Article 61. The inspector, the conciliator and the receiver shall be liable to the Merchant and the creditors for their own and their assistants' acts, for any damages and losses caused while performing their duties, for defaulting their duties and for disclosing any confidential information of which they become aware while performing their duties.

Chapter II

Conservators

Article 62. The conservators will represent the creditors' interests and shall be entrusted with monitoring the conciliator's and the receiver's performance and any acts carried out by the Merchant in connection with his enterprise's administration.

Article 63. Any creditor or group of creditors representing at least 10% of the amount of the credits payable by the Merchant, as reported on the provisional credit list, shall be entitled to ask the judge to appoint a conservator, whose fees shall be paid by whoever requests such appointment. It shall not be necessary to be a creditor in order to be a conservator.

The creditor or group of creditors must address the request to the judge in order for the latter to make the corresponding appointment. The conservators may be replaced or removed by whoever appointed them, abiding by the provisions of this paragraph.

Article 64. The conservators shall have the following authority:

- I. To process the service and publication of the business reorganization judgment;
- II. To ask the conciliator or the receiver to review some books or documents and any other data storage means of the Merchant subject to a business reorganization, regarding any issues which in his opinion may affect the creditors' interests;
- III. Request the conciliator or the receiver to provide information in writing regarding issues related to the Estate administration which in his opinion may affect the creditors' interests, and the other reports mentioned in Article 59 of this Act; and
- IV. The other authority set by this Act.

TITLE THIRD

Effects of the Business Reorganization Judgment

Chapter I

Stay of Enforcement Proceedings

Article 65. From the business reorganization judgment issue date to the end of the conciliation stage, no seizure or enforcement order may be executed against the Merchant's properties and rights.

If the seizure or enforcement order is of a labor nature, the stay shall have no effects in connection with the provisions of Section XXIII of paragraph A of Article 123 of the Federal Mexican Constitution and its

regulating provisions, taking into consideration the wages for the two years preceding the business reorganization; if such seizure or enforcement order is of a tax nature, the provisions of Article 69 of this Act shall apply.

Article 66. The decree admitting the demand for business reorganization shall have among its goals, and regardless of the other purposes set by this Act, guaranteeing the rights that the Federal Constitution, its regulating provisions and this Act, vest on workers, for preferential payment, to which said provisions and Article 224, Section I of this Act, refer.

The business reorganization judgment shall not bring about an interruption of the payment of the Merchant's regular labor obligations.

Article 67. In the event that the labor authorities order the seizure of the Merchant's properties in order to guarantee credits owing to the workers due to wages and salaries earned in the two immediately preceding years or due to indemnifications, whoever pursuant to this Act is charged with the management of the Merchant's enterprise shall be the depository of said attached properties.

As soon as the person charged with the administration of the Merchant's enterprise pays or guarantees, to the labor authorities' satisfaction of said credits, the seizure may be cancelled.

Article 68. If in fulfillment of a labor-related resolution whose purpose is to protect the workers' rights referred to in Section XXIII of Article 123 of the Constitution, its regulating provisions and this Act, the competent labor authority orders the foreclosure on a property belonging to the Estate which in turn is the subject of a collateral, the conciliator may ask the labor authority to substitute said property for a bond, to the labor authority's satisfaction, that guarantees fulfillment of the claim in ninety days.

If such substitution is not possible, the conciliator, upon foreclosing on the property, will record as a credit against the Estate, in favor of the creditor having the collateral involved, the lower of any amount resulting between the amount of the recognized credit and the sale value of the property that was foreclosed to fulfill the claims to which the preceding paragraph refers. If the sale value of the collateral is lower than the amount of the recognized credit, the resulting difference shall be deemed a regular credit.

Article 69. After the business organization judgment, any tax liabilities will keep on being subject to actualization, the corresponding fines and related charges, pursuant to the applicable provisions.

If an agreement is reached pursuant to Title Fifth of this Act, the fines and related charges that took place throughout the conciliation stage, will be cancelled.

The business reorganization judgment will not cause the interruption of the payment of regular taxes or social security dues by the Merchant, as such payments are essential for the enterprise's regular operation.

Following the business reorganization judgment and up to the expiration of the term granted to carry out the conciliation stage, any administrative enforcement proceedings to collect taxes will be suspended.

The competent tax authorities may pursue the necessary action to determine and guarantee any taxes payable by the Merchant.

Chapter II

Setting Aside of Property Held by the Merchant

Article 70. Any assets held by the Merchant and that can be identified, whose property was not transferred to it under a final and irrevocable legal transaction, may be set aside by their legitimate owners. The judge hearing the business reorganization shall be competent to hear the set aside action.

Upon a set aside demand being filed, complying with the requirements of Article 267 of this Act, if the Merchant, the conciliator or the conservators do not object to it, the judge will order the outright setting aside in

favor of the party requesting such action. If there is any opposition to such setting aside, the setting aside process will be continued through ancillary proceedings.

Article 71. Any property in the following situation or any other analogous events, may be set aside from the Estate:

I. Any property that can be repossessed pursuant to law;

II. Any real estate sold to the Merchant, but not yet paid by him, if the purchase and sale transaction was not duly recorded in the corresponding public register;

III. Any movable property paid for in cash, if the Merchant has not fully paid the price therefor at the time of the business reorganization declaration;

IV. Any goods or real estate acquired on the installment plan basis or credit basis, if the clause dealing with the resolution due to payment default was recorded on the corresponding public register;

V. Securities of any class issued to the Merchant or endorsed over to the Merchant, as payment for any sales made on behalf of third parties, provided that it is proved that any obligations thus fulfilled arise from such sales and that the item was not entered on a current account between the Merchant and his principal;

VI. Any taxes withheld, collected or passed on by the Merchant on behalf of the tax authorities;
and

VII. Any property which may be in its possession in any of the following events:

a) Deposit, usufruct, trust or received for administration or consignment, if in the latter the business reorganization was declared before the buyer's statement to take over the wares, or if the term granted to so doing has not expired;

b) Commission for the purchase, sale, transit, delivery or collection;

c) For surrender to a specific person in the name and on behalf of a third party or to meet obligations that must be complied with in the Merchant's domicile;

If the credit resulting from the a debt remission was conditioned to the payment of a bill of exchange, the legitimate holder of the bill of exchange may cause its setting aside, or

d) Amounts in the name of the Merchant due to sales made on behalf of third parties. The parties so setting aside may also obtain the assignment of the corresponding right to collect.

Article 72. Regarding the existence or identity of the goods whose setting aside is requested, the following must be taken into consideration:

I. Any setting aside actions shall be proper only when the goods are in the Merchant's possession from the moment of the business reorganization declaration;

II. Should the goods perish after the business reorganization declaration and they were insured, the party seeking the setting aside shall be entitled to the payment of any recovery received or to assume the rights to claim such recovery;

III. If the goods were sold before the business reorganization declaration was issued, it is not allowed to set aside the price received; however, if payment was not made, the parties seeking the setting aside may assume any rights against the third party buyer, and, if so, must deliver to the Estate any excess amount resulting from whatever he collected and the amount of his credit.

In the second case to which the preceding paragraph refers, the party seeking the setting aside may not hold himself as creditor in the business reorganization;

IV. Any goods that were transmitted, received as payment or exchanged for any other legal title, similar to those that could be set aside, may be set aside;

V. The identity test may be made even if the goods were taken out of their packing, were removed from their packagings or partially sold; and

VI. Provided that any separable goods were pledged to third parties in good faith, the pledgee may object to the delivery as long as he is not paid the guaranteed obligation and any related amounts to which he may be entitled.

Article 73. The setting aside shall be subject to the condition that the parties seeking the setting aside previously fulfill their obligation as a result of such goods.

In any events of setting aside by the seller that received a part of the price, the setting aside will be subject to the condition that the portion of the price so received be previously refunded. The price refund shall be made in proportion to its aggregate amount, in connection with the quantity or number of goods set aside.

The seller and the other parties seeking the setting aside must previously refund everything that was paid or which is owing as taxes, transportation, commissions, insurance, gross average and goods preservation expenses.

Chapter III

Management of the Merchant's Enterprise

Article 74. Throughout the conciliation stage, the Merchant will be entrusted with the enterprise's management, except for the provisions of Article 81 of this Act.

Article 75. If the Merchant keeps on managing his enterprise, the conciliator shall monitor the accounting and any transactions carried out by the Merchant.

The conciliator shall decide in connection with the rescission of outstanding contracts and will approve, on the basis of the conservators' prior opinion, if any, the assumption of new credits, the creation or replacement of collateral and the sale of assets not related to the regular course of business of the Merchant's enterprise. The conciliator must report these activities to the judge. Any objection shall be processed through ancillary proceedings.

In the case of security replacement, the conciliator must have the involved creditor's prior written consent.

Article 76. For the purposes of the opinion to which the second paragraph of the preceding Article refers, the conciliator must submit to the conservators the characteristics of the involved transaction, in the forms issued by the Institute.

The conservators must render their written opinion to the conciliator within five days following the date on which the conciliator submits the proposal to their approval. If the conservators fail to answer on a timely basis, they shall be deemed to have accepted the proposal.

The conservators' decision will be adopted by a majority of the credits they represent. For this purpose, the conservators need not to meet to vote.

The provisions of this Article shall apply even though the conciliator assumed the management of the Merchant's enterprise.

Article 77. The conciliator, under its strictest responsibility, may abstain from requesting the conservators' opinion to dispose of goods in such cases as such goods may be perishable or that he believes that such goods may be subject to a serious impairment of their price, or their conservation may be costly as compared with the profit that they may bring about for the Estate, and must so advise the judge within three days following the transaction. Any objection shall be processed through ancillary proceedings.

Article 78. If the conciliator is charged with the management of the Merchant's enterprise, he must take the necessary steps to identify any goods owned by the Merchant that was declared in business reorganization that is in third party's possession.

Article 79. The conciliator and the Merchant must bear in mind the advisability of keeping the enterprise as an ongoing concern.

Notwithstanding the provisions of the preceding paragraph, whenever so doing may be advisable to avoid any increase in the liabilities or any impairment of the Estate, the conciliator, with the conservators' prior opinion, if any, may ask the judge to order the enterprise shutdown, in whole or in part, whether temporarily or permanently.

The foregoing shall be processed through ancillary proceedings.

Article 80. If the Merchant is in charge of its enterprise's management, the conciliator shall be empowered to call upon the governing bodies whenever he may deem it advisable, to submit to their consideration and approval, if proper, any matters that he may deem advisable.

Article 81. If the conciliator believes that so doing is advisable to protect the Estate, he may ask the judge to remove the Merchant from the management of his enterprise. Upon admitting such petition, the judge may take such steps as he may deem advisable to protect the Estate as a whole. The Merchant's removal shall be processed through ancillary proceedings.

Article 82. If the Merchant's removal from the management of its enterprise is ordered, the conciliator shall assume, in addition to its own authority and duties, the management authority and duties set by this Act on the receiver.

Article 83. In the event to which the preceding Article refers, and in the case of legal entities declared in business reorganization, the authority of any bodies which, pursuant to law or the enterprise's By-Laws, are competent to decide in connection with the directors, administrators or managers, shall be suspended.

Chapter IV

Effects as to Actions in Other Lawsuits

Article 84. Any actions and lawsuits filed by the Merchant, and those filed against it, which remain pending upon the business reorganization judgment issuance, involving an equity-related issue, shall not be joined to the business reorganization, but will be pursued by the Merchant under the conciliator's surveillance, for which purpose the Merchant must advise the conciliator of the existence of any such proceeding, one day following the date on which the Merchant becomes aware of the conciliator's appointment.

Notwithstanding the provisions of the preceding paragraph, the conciliator may substitute for the Merchant in the event referred to in Article 81 of this Act.

Article 85. The conciliator may not participate, and under no circumstances may the Merchant be replaced, in any lawsuits exclusively involving property or rights whose management and disposal he retains pursuant to Article 179 of this Act.

Chapter V

Effects as to the Merchant's Obligations

Section I

General Rule and Premature Maturity

Article 86. With the exceptions set by this Act, the provisions regarding obligations and contracts and the stipulations of the parties, will continue to apply.

Article 87. Any contractual stipulation which due to the filing of a business reorganization petition or demand, or the business reorganization declaration, sets modifications that worsen the contract terms for the Merchant, shall be deemed not included, with the exceptions expressly set by this Act.

Article 88. In order to determine the amount of any credits payable by the Merchant, as from the date on which a judgment is issued to declare the business reorganization:

- I. The Merchant's outstanding obligations shall be deemed due;
- II. Any credits subject to a suspensive condition [condición suspensiva], the condition shall be regarded as not having taken place;
- III. Any credits subject to a resolutive condition [condición resolutoria] shall be regarded as though the condition had taken place without the parties having to refund any amounts they received while the obligation was in effect;
- IV. The amount of any credits due to periodic or successive claims shall be determined at present value, on the basis of the agreed upon interest rate or, if no such interest rate was agreed upon, the interest rate prevailing in the market for similar transactions bearing in mind the currency or unit involved and, when this not possible, the legal interest rate;
- V. A life annuities creditor shall be entitled for his credit to be recognized at its market replacement value or, failing that, at its present value computed pursuant to generally accepted practices;
- VI. The obligations for an undetermined or unascertained amount, will call for their appraisal in cash; and
- VII. Any non-monetary obligations must be appraised in cash; if this is not possible, the credit may not be recognized.

Article 89. On the date on which the business reorganization judgment is issued:

- I. The unpaid principal and related financial charges of any Mexican currency credits without collateral, shall cease to earn interest and will be converted into UDIs using, for this purpose, the equivalence in said units published by Banco de México. Any credits originally denominated in UDIs shall cease to earn interest;
- II. The unpaid principal and related financial charges of foreign currency credits that are not backed with a collateral, regardless of the place which was originally agreed that they should be paid, shall cease to earn interest and shall be converted into Mexican currency at the exchange rate determined by Banco de México to pay foreign currency-denominated obligations payable in the Republic of Mexico. Said amount shall in turn be converted into UDIs as provided in Section I above; and
- III. Any credits backed with a collateral, regardless that it was initially agreed that they would be repaid in the Republic of Mexico or overseas, shall remain in the currency or unit in which they are denominated,

and will only earn the ordinary interest stipulated in the contracts, up to the value of the property that serves as guaranty.

In order to determine the participation of creditors having collaterals in the decisions that they should make pursuant to this Act, the amount of their credits up to the reorganization declaration date, will be converted into UDIs as provided in Sections I and II of this Article for credits not backed with a collateral. Any creditors with a collateral will participate as such by reason of such amount, regardless of the value of their collaterals, unless they choose the option provided for in the next paragraph.

If a creditor with a collateral believes that the value of his collateral is lower than the amount of the debt for principal and related charges as of the business reorganization declaration date, may ask the judge to be regarded as a creditor with a collateral for the amount that the creditor itself attributes to his collateral, and as a regular creditor for the balance. The value that the creditor attributes to his collateral will be converted into UDIs at their value in effect on the business reorganization declaration date. In this case, the creditor must expressly relinquish, in favor of the Estate, any excess amount between the price obtained upon foreclosing on the collateral and the value that he attributed to the collateral on the basis of the value of the UDIs as of the date on which the foreclosure takes place.

Article 90. As from the business reorganization judgment date, only the following may be set-off:

I. Any rights in favor of and obligations payable by the Merchant deriving from the same transaction which is not interrupted by virtue of the business reorganization judgment;

II. Any rights in favor of and obligations payable by the Merchant that mature before the business reorganization judgment and whose set-off is provided by the laws;

III. Any rights and obligations arising from the transactions to which Article 102 to 105 of this Act refer to; and

IV. Any taxes refundable to and payable by the Merchant.

Section II

Outstanding Contracts

Article 91. The business reorganization will not affect the validity of any contracts executed in connection with strictly personal non-equity properties or with property or rights whose management and disposal the Merchant retains pursuant to Article 179 of this Act.

Article 92. Any preliminary or final contracts pending enforcement must be fulfilled with by the Merchant, unless the conciliator objects to such fulfillment on the grounds that such objection is in the best interests of the Estate.

Anyone who executed a contract with the Merchant shall be entitled that the conciliator declare if he will object to the contract fulfillment. If the conciliator declares that he will not object, the Merchant must fulfill or guarantee fulfillment of the contract. If the conciliator declares that he will object, or does not provide an answer within twenty days, the party that executed the contract with the Merchant may at any time rescind the contract and so notify the conciliator.

If the conciliator has assumed the management or authorized the Merchant to enforce any outstanding contracts, he may avoid the setting aside of the goods or else demand their delivery, upon payment of their price.

Article 93. The seller may not be required to deliver goods or real property that the Merchant purchased, unless their price is paid to it or the payment of the price is guaranteed.

The seller shall be entitled to repossess the properties if it delivered them in fulfillment of a final contract that was not entered into as required by the law. Such repossession shall not be proper if it is conclusively proven that the contract was executed and the Merchant, with the conciliator's authorization, demands that legal form be given to the contract or the motion for declaring such contract void due to lacking of legal form.

Article 94. Any seller of goods that had not been paid for, which upon business reorganization declaration is in route for actual delivery to the Merchant declared in business reorganization, may object to the delivery:

- I. By changing the consignment as legally accepted; or
- II. By stopping the actual delivery of the property, even though it does not have such documents as may be necessary to change the consignment.

Any opposition to the delivery will be processed through ancillary proceedings between the seller and the Merchant, with the conciliator's participation.

Article 95. If the seller of the real property is declared in business reorganization, the buyer shall be entitled to demand its delivery after paying for its price, if the sale was completed pursuant to the applicable laws.

Article 96. Any Merchant declared in business reorganization that purchased an asset that has not yet been delivered to him, may not demand the seller to deliver the asset if it does not pay for the price or guarantee its payment.

If the delivery was effected only on the basis of a promise to sell, the seller may repossess the asset if the sale agreement was not embodied in a public deed, if such was a legal requirement.

Article 97. If it is decided to enforce the contract and the payment of the price was subject to an unexpired term, the seller may only demand that fulfillment be guaranteed.

Article 98. If sales on a delivery basis or item by item basis are involved, and some items were delivered but not paid, payment must be made, and this will be a requirement for the purposes of the fulfillment referred to in Article 97 and Article 92, third paragraph, of this Act.

Article 99. Notwithstanding the declaration of business reorganization of the seller of a good, if such good was determined before said declaration, the buyer may demand fulfillment of the contract, upon payment of the price.

Article 100. Any deposit, credit extension, commission or agency contracts shall not be rescinded by the business reorganization of any of the parties to the same, unless the conciliator believes that they should be terminated.

Article 101. Any current accounts shall be prematurely terminated and shall be put in liquidation to demand or pay their balances, by virtue of the business reorganization declaration, unless the Merchant, with the conciliator's consent, expressly declares their continuation.

Article 102. The business reorganization declaration shall terminate any repurchase agreements entered into by the Merchant pursuant to the following rules:

- I. When the Merchant acted as repurchaser [reportador], he must transfer to the reseller [reportado], within no more than fifteen calendar days following the business reorganization declaration date, securities of the corresponding kind upon refund of the price plus payment of the agreed upon premium;

- II. If the Merchant was the reseller, the contract shall be deemed abandoned from the business reorganization declaration date and the repurchaser may require payment of any difference in its favor precisely on the business reorganization declaration date, upon recognition of the credits, and the Merchant shall retain the price

of the transaction and the repurchaser shall retain title to and free disposability of the securities that were the subject matter of the repurchase agreement; and

III. Any repurchase agreements by and between the Merchant and its counterpart in a reciprocal manner, whether or not documented by framework or normative agreements, shall be regarded prematurely terminated on the business reorganization declaration date, even though their expiration date falls after such business reorganization declaration date, and must be setoff as provided by this Act.

If there is no provision in the corresponding agreements for offsetting and payment of any amounts owing, in order to make the offsetting, the value of the securities shall be determined at their market value on the business reorganization declaration date. In want of any available and demonstrable market price, the conciliator may entrust a third party expert in the subject matter, to assign a value to the securities.

The balance, if any, payable by the Merchant as a result of the premature termination, may be demanded through the credit recognition process. If there are any credits payable to the Merchant, the counterpart shall surrender such balance to the Estate within no more than thirty calendar days following the business reorganization declaration date.

Article 103. Any security loan transactions executed by the Merchant which are guaranteed with Mexican currency, shall be subject to the same rules as repurchase agreements.

Any security loan transactions executed by the Merchant which are guaranteed with Mexican currency-denominated securities, will be subject to the provisions of Article 102, Section III.

Article 104. Any differential or futures contracts and any derivative financial transactions, which mature after the business reorganization declaration, shall be prematurely terminated on the business reorganization declaration date. These contracts and transactions must be setoff as provided by this Act.

If there is no provision in the corresponding agreements for offsetting and liquidation of the amounts owed, in order to make such offsetting, the value of the underlying properties or obligations will be determined at their market value on the business reorganization declaration date. In want of any available and demonstrable market value, the conciliator may entrust a third party expert in the field to assign a value to such properties or obligations.

The credit, if any, payable by the Merchant will be demandable through the credit recognition process. If the premature termination, to which this Article refers, brings about a balance payable by the parties that executed the contract with the Merchant, such parties must surrender such amount to the Estate within a maximum thirty-calendar-day term following the business reorganization declaration date.

For the purposes of this Act, derivative financial transactions shall mean those in which the parties are bound to pay money or fulfill other obligations to give, having an underlying property or market value, as well as any agreement which the Banco de México indicates as such by means of general rules.

Article 105. Any debts and credits deriving from framework agreements, either normative or specific, executed with respect of derivative financial transactions, repurchase transactions, security loan transactions, future transactions or other equivalent transactions, as well as from any other legal acts in which a person is someone else's debtor and at the same time is someone else's creditor, that can be reduced to cash, even though the debts or credits are not due and payable on the business reorganization declaration date but which, in the terms of said agreements or of this law may be declared due and payable, must be offset and shall be payable in the terms agreed upon or as determined in this Act, on the business reorganization declaration date.

The provisions of this Article shall apply notwithstanding the provisions of Article 92 of this Act, and even though the set-off is made within the term referred to in Article 112 of this Act, unless it is proved that the agreement or agreements that gave rise to the offsetting, were entered into or amended to give a preferential right to one or more creditors.

The debit balance, if any, resulting from the offsetting permitted by this Article and payable by the Merchant, may be demanded by the corresponding counterpart by means of the debt recognition process. If there is a balance payable to the Merchant, the counterpart must surrender it to the conciliator for the Estate's benefit, within no more than thirty calendar days following the business reorganization declaration date.

Article 106. A lessor's business reorganization does not rescind the real property lease. The lessee's business reorganization does not rescind the real property lease. Notwithstanding the foregoing, the conciliator may opt for the lease rescission, in which case the lessor shall be paid the indemnification agreed upon in the lease for such an event or else an indemnification at the rate of three months' rent, for premature termination.

Article 107. Any strictly personal service contracts to be provided to or for the Merchant that was declared in business reorganization, shall not be rescinded and the provisions of the contract between the parties shall govern.

Article 108. Any lump sum construction contract shall be rescinded due to the business reorganization of any party thereto, unless the Merchant, with the conciliator's authorization, agrees with the other party to fulfill the contract.

Article 109. The insured party's business reorganization does not rescind the insurance contract if the insured property is a real property; however, if the insured property is a good, the insurance carrier may rescind the contract.

If the conciliator does not report to the insurance carrier the business reorganization declaration within thirty calendar days following the business reorganization declaration date, the insurance carrier may rescind the insurance contract.

Article 110. In the case of life or joint insurance contracts, the Merchant, with the conciliator's authorization, may assign the insurance policy and obtain a reduction of the insured principal, in proportion to the premiums already paid, on the basis of the computations that the insurance company took into consideration to draw up the insurance contract and bearing in mind the risks assumed by the insurance carrier. Likewise, it may carry out any other transaction involving an economic benefit for the Estate.

Article 111. The business reorganization of a partner to a general partnership or a limited liability company or of the limited or general partner in a limited partnership or a limited stock partnership, will entitle him to request his liquidation on the basis of the latest balance sheet, or to remain with the company, if the conciliator grants its consent, provided that the other partners choose not to exercise the right to liquidate the company in part, unless the by-laws provide otherwise.

Chapter VI

Frauds Against Creditors

Article 112. For the purposes of the provisions of this Chapter, retroactivity date shall mean the 270th calendar day immediately preceding the business reorganization declaration judgment date.

The judge, upon request of the conciliator, the conservators or any creditor, may set as retroactivity date a date which is earlier than the one mentioned in the preceding paragraph, provided that said requests are filed prior to the credit recognition, ranking and preference of credits judgment. The foregoing shall be processed through ancillary proceedings. The judgment that changes the retroactivity date will be published on the **Judicial Bulletin** or else on the courthouse bulletin board.

Article 113. Any fraudulent acts against creditors will have no effects as regards the Estate.

Any acts pursuant to which the Merchant, prior to the business reorganization declaration, knowingly defrauded the creditors shall be a fraudulent act against creditors if the third party that participated in the act was aware of said fraud.

The last requirement will not be necessary in gratuitous acts.

Article 114. The following are fraudulent acts against creditors, provided that they took place after the retroactivity date:

- I. Any gratuitous acts;
- II. Any acts and disposals in which the Merchants pays a consideration whose value is notoriously excessive or receives a consideration whose value is notoriously lower than the consideration of the counterpart;
- III. Any transactions carried out by the Merchant in which conditions or terms were agreed upon which are significantly different from the conditions prevailing in the market in which the transactions were carried out, on the date on which they were carried out, or from trade usage or practices;
- IV. Any debt remission made by the Merchant;
- V. Any payment of unmatured obligations made by the Merchant; and
- VI. The discount of his own notes by the Merchant, after the retroactivity date, will be regarded as a prepayment.

The declaration of ineffectiveness will not be in order if the Estate benefits from the payments made to the Merchant.

If the third parties return whatever they received from the Merchant, they may request the recognition of their credits.

Article 115. The following shall be deemed fraudulent acts against creditors if made after the retroactivity date, unless the interested party proves his good faith:

- I. The creation of guarantees or the increase of any existing guarantees, if the original obligation did not contemplate such guarantee or increase; and
- II. Any payments of debts made in kind, if the later is different from the originally agreed upon or if the agreed upon consideration was in cash.

Article 116. In the event that the Merchant is an individual, any transactions involving the Estate carried out with the following persons shall be deemed fraudulent acts against creditors, if made after the retroactivity date, unless the interested party proves his good faith:

- I. His spouse, female or male concubine, blood relatives up to the fourth degree or up to the second degree if related by affinity, as well as relatives by marriage; or
- II. Business associations in which the persons to which the preceding paragraph refers or the Merchant himself are managers or members of the Board of Directors, or either jointly or individually represent, either directly or indirectly, at least 51% the paid in and subscribed capital stock, have decision-making power at stockholders' meetings, can appoint a majority of the members of the Board of Directors or otherwise have the authority to make fundamental decisions in said companies.

Article 117. In the event of Merchants that are legal entities, any transactions involving the Estate carried out with the following persons are deemed fraudulent acts against creditors, if carried out after the retroactivity date, unless the interested party proves his good faith:

- I. Its manager or members of its Board of Directors, or with the spouse, female or male concubine, relatives by blood up to the fourth degree or up to the second degree if relatives by affinity, as well as relatives by marriage of the aforesaid persons;

II. Any individual who jointly or individually represent, either directly or indirectly, at least 51% of the subscribed and paid in capital stock of the Merchant who is under business reorganization, have the decision-making power at stockholders' meetings, can appoint most of the members of its Board of Directors or otherwise have the authority to make fundamental decisions of the Merchant subject to business reorganization;

III. Any legal entities whose managers, members of the Board of Directors or senior officers are the same as those of the Merchant who is under business reorganization; and

IV. Any legal entities controlled by the Merchant and which have the control of the Merchant, or which are controlled by the same company that controls the Merchant.

Article 118. Anyone who acquired in bad faith anything that implies a fraudulent act against creditors, will be liable to the Estate for any damages and losses caused to it, if the same was transferred to a *bona fide* buyer or was lost.

The same responsibility shall arise against those who, intending to avoid the ineffectiveness that would cause a fraudulent act against creditors, destroys or hides the goods which are the subject matter of the ineffectiveness.

Article 119. Once the return to the Estate of any object or amount has been decided, it shall be understood, even though no so stated, that their liquid returns or interest earned in the time that the object or money was enjoyed must also be refunded. In order to compute the liquid returns or interest, the provisions originally agreed upon by the parties will be observed or else the legal interest shall be applied.

TITLE FOURTH

Credit Recognition

Chapter I

Transactions to Achieve Recognition

Article 120. In order to perform the duties assigned to him by this Title, the conciliator shall hold office regardless that the conciliation stage comes to an end.

Article 121. Within thirty calendar days following the date of the last publication of the business reorganization judgment on the *Official Gazette*, the conciliator must file with the judge a provisional list of credits payable by the Merchant, in the form thereunto determined by the Institute. Said list must be prepared based on the Merchant's accounting records; the other documents that allow for the determination of his liabilities; any information that the Merchant himself and his staff must provide to the conciliator, as well as the information, if any, deriving from the inspector's report and the applications for credit recognition that may be filed.

Article 122. The creditors may request the recognition of their credits:

I. Within twenty calendar days following the date of the latest publication of the business reorganization judgment;

II. Within the term granted to object to the provisional list referred to in Article 129 of this Act; and

III. Within the term to file an appeal against the credit recognition, ranking and preference judgment.

After the term mentioned in Section III, no credit recognition may be requested.

Article 123. The conciliator will include in the provisional list that he will draw up, any credits that he can determine based on the information to which Article 121 of this Act refers, in the amount, ranking and preference corresponding to them under this Act, notwithstanding that the creditor did not request the recognition of his credit. Likewise, he must include any credits whose title to the same may have been transferred up to then pursuant to Article 144 of this Act.

Article 124. The amount of any tax liability may be determined at any time pursuant to the applicable provisions.

The conciliator must attach to the credit recognition list any tax liabilities notified to the Merchant by the tax authorities with the indication, if proper, that said authorities may continue with the verification procedures that may be in order.

The conciliator shall also attach the labor-related credits to the credit recognition list.

Article 125. The credit recognition applications must be filed with the conciliator and contain the following:

- I. The creditor's full name and address;
- II. The amount of the credit believed payable by and to the Merchant;
- III. Any guarantees, conditions, terms and other characteristics of the credit, among them the type of document that supports the credit;
- IV. The ranking and preference which in the applicant's opinion and pursuant to this Act corresponds to the credit whose recognition is applied for; and
- V. The data of any administrative, labor, judicial or arbitration proceeding, if any, that may have been filed and that may be related to the involved credit.

The debt recognition application must be filed signed by the creditor, on the forms thereunto determined by the Institute, and must be accompanied by the original documents on which the applicant is based or a certified copy thereof. In the event that said documents are not in his possession, he must indicate the place where they are located and prove that he started the proceedings to obtain the same.

The creditor must set a service of process address within the judge's jurisdiction or, at its own expense, may indicate an alternative means of communications for service of process purposes, such as a fax or electronic mail. If this requirement is not complied with, any notices to be served on him, even those of a personal nature, will be made through the courthouse's bulletin board. In this instance, the conciliator shall make his notices through the judge.

Article 126. If the spouse, female or male concubine of the Merchant that has been declared under business reorganization has any credits payable by the Merchant under onerous contracts or for having paid the Merchant's debts, it shall be presumed, unless otherwise proven, that the credits have been created and the debts have been paid with the Merchant's property, and therefore the spouse, female or male concubine may not be held as creditors.

Article 127. If in a different proceeding a final and conclusive judgment, labor-related award, standing administrative resolution or arbitration award has been issued prior to the retroactivity date, pursuant to which the existence is declared of a right to collect against the Merchant, the creditor involved must file a certified copy of said resolution with the judge and the conciliator.

The judge must recognize the credit in the terms of said resolutions, by including it in the credit recognition, ranking and preference judgment.

Article 128. In the provisional credit list, the conciliator must include the following information as to each credit:

- I. The creditor's full name and address;
- II. The amount of the credit which in his opinion should be recognized, pursuant to Article 89 of this Act;
- III. Any guarantees, conditions, terms and other characteristics of the credit, among them the type of document that supports the credit; and
- IV. The ranking and preference which pursuant to this Act he believes should be assigned to the credit.

The conciliator must include in the provisional credit list another list which indicates, as to each credit, the reasons and causes on which he bases his proposal, and provide a justification of the differences, if any, existing with the Merchant's accounting records or the creditor's request. Likewise, he must include a justified list of any credits whose recognition was requested and which he propose not be recognized.

The conciliator must attach to the provisional credit list such documents as he may consider served as a basis for his proposal, which will be an integral part of his proposal or else indicate the place where they are located.

Article 129. Once the conciliator submits to the judge the provisional credit list, the judge will make it available to the Merchant and the creditor so that, within a non-extendable five-calendar-day period, they file in writing to the conciliator, through the judge, their objections together with any documents they may deem pertinent, which will be made available to the conciliator through the judge, the day after the judge receives them.

Article 130. The conciliator shall have a non-extendable ten-day term following the date on which the term to which the preceding Article refers expires, in order to draw up and file with the judge the final credit recognition list in the terms of Article 122, Section I, including the tax liabilities and labor-related credits, which up to then may have been reported to the Merchant, and attach the additional applications, if any, filed after the provisional credit list was prepared.

If the conciliator fails to file the final list at the end of the term to which the preceding paragraph refers, the judge will issue such coercive actions as he may deem necessary in that respect and, if the conciliator does not file it within five more days, the judge will ask the Institute to appoint a new conciliator.

Article 131. The conciliator shall not be liable for any mistakes or omissions on the final credit recognition list originated by the non-entry of the credit or any other mistake in the Merchant's accounting records, and which could have been avoided with the credit recognition application or the raising of objections to the provisional list.

Article 132. Upon the end of the term mentioned in Article 130 of this Act, the judge, within five days afterwards, will hand down the credit recognition, ranking and preference judgment bearing in mind the final list filed by the conciliator and all of the documents thereto attached.

Article 133. The judge, on the day following the date on which he hands down the credit recognition, ranking and preference judgment, will serve the same on the Merchant, the Recognized Creditors, the conservators, the conciliator and the District Attorney, by publishing it on the Judicial Bulletin or on the courthouse's bulletin board.

Article 134. The following put an end to the statute of limitations applicable to a credit:

- I. The credit recognition application even though the application does not meet the requirements of Article 125 of this Act or if be lately filed;

- II. Any objection in writing made to the provision list;
- III. The credit recognition, ranking and preference judgment issued in connection with the credits included in the provisional list; or
- IV. Any appeal filed in connection with the credits whose recognition is requested.

Chapter II

Appeal Against the Credit Recognition, Ranking and Preference Judgment

Article 135. The credit recognition, ranking and preference judgment may be appealed. Such appeal will be accepted only in such manner that it does not stay the reorganization proceeding.

Article 136. The Merchant directly or through his representatives, any creditor, the conservators, the conciliator or the receiver, if any, or the District Attorney, may appeal the credit recognition, ranking and preference judgment.

Such appeal may be filed regardless that the appellant creditor abstained from applying for his credit recognition or objecting to the provisional list.

Article 137. The appeal may be filed with the judge within nine days following the effective date of the notification of the credit recognition, ranking and preference judgment.

Article 138. In its own brief of appeal, the appellant may state his grievances, offer evidence and mention the documents that should be included in the corresponding testimony. If the last requirement is not complied with, the judge will dismiss the appeal outright.

Article 139. In the decree admitting the appeal, the judge will order that the appellant's opponents be served a copy of the appeal so that, within nine days following such service, they answer whatever may benefit their rights. In his answer, the appellee must offer evidence. Upon filing his brief, the appellee may indicate additional evidence from the file, otherwise he shall be understood to have accepted the evidence offered by the appellant.

Article 140. The day following the expiration of the term granted to file the appellee's brief, to which the preceding Article refers, with or without the appellee's brief, the judge will submit to the court of appeals the original briefs filed by the appellant, the other parties, if any, and the certification of evidence, adding to it the evidence which the latter may deem necessary.

Article 141. Upon receipt of the briefs and certification of evidence, the court of appeals, without further formalities, will decide on the admission of the appeal.

Article 142. Within ten days following the admission of the appeal, the court of appeals will summon the parties to a hearing to produce evidence and make allegations. The hearing may be postponed only once and in any event must be held within no more than 30 calendar days following the originally scheduled date.

Once the hearing has been held, the court of appeals will summon the parties to hear the judgment and will resolve on the appeal within the next five days.

Article 143. Any creditors who were not recognized in the credit recognition, ranking and preference judgment and who filed an appeal, may only exercise the rights conferred by this Act on Recognized Creditors, until a final decision is issued that recognizes such status to them.

Article 144. In the event that a creditor transfers title to his credits by any means, he must, and so must the transferee, report the transfer and its characteristics to the conciliator, on the forms thereunto determined by the Institute. The conciliator must publish the notice pursuant to the provisions thereunto issued by the Institute.

CHAPTER FIFTH

Conciliation

Single Chapter

Adoption of the Agreement

Article 145. The conciliation stage will have a duration of 185 calendar days following the date on which the business reorganization judgment is last published on the *Official Gazette of the Federation*.

The conciliator or the Recognized Creditors representing at least two thirds of the aggregate recognized credits, may ask the judge to approve an extension of up to ninety calendar days following the date on which the term mentioned in the preceding paragraph expires, if they believe that the execution of an agreement is about to take place.

The Merchant and 90% of the Recognized Creditors may ask the judge for an extension of up to ninety days in addition to the extension to which the preceding paragraph refers.

Under no circumstances may the conciliation stage and its extension exceed 365 calendar days following the date on which the business reorganization judgment was last published on the *Official Gazette of the Federation*.

Article 146. Within five days following the date on which it receives notice of the business reorganization judgment, the Institute must appoint, pursuant to the random procedure previously established, a conciliator to perform the duties listed in this Act, unless any of the events referred to in Article 147 has already taken place.

Article 147. The conciliator appointed pursuant to the preceding Article may be replaced if:

I. The Merchant and the Recognized Creditors representing at least one half of the aggregate recognized amount request the Institute, through the judge, to replace the conciliator with the conciliator that they propose with cause from among those registered with the Institute.

The Institute must appoint the new proposed conciliator provided that the judge certifies to it the existence of the required majority of Recognized Creditors and the Merchant's consent; or

II. The Merchant or a group of Recognized Creditors representing at least 75% of the aggregate recognized amount jointly appoint some natural person or legal entity not listed in the Institute's register and who may wish to act as conciliator, in which case they must agree with him on his fees.

In such an event, the judge will so advise the same to the Institute and the Institute's appointment shall no longer be in effect as from the next day. The conciliator thus appointed will assume all of the rights and obligations assigned by this Act to the Institute's conciliators.

In the event of the conciliator's replacement, the replaced conciliator must provide the substitute conciliator all of such necessary support as may be necessary in order for him to take office, and will submit to him a report on the status of the conciliation as well as all of the information on the Merchant that the conciliator gathered while performing his duties.

Article 148. The conciliator will attempt that the Merchant and his Recognized Creditors reach an agreement as provided in this Act.

Article 149. The conciliator, within three days following his appointment, must report his appointment to the creditors and set an address, within the jurisdiction of the judge hearing the business reorganization, to fulfill his duties set by this Act.

The conciliator may meet with the Merchant and the creditors that he may deem advisable and with those that so request, either jointly or individually, and communicate with them in any manner.

Article 150. The Merchant will be under the obligation of collaborating with the conciliator and of providing him such information as the conciliator may deem necessary to perform his duties.

The conciliator may ask the judge to declare the earlier termination of the conciliation stage when he believes that the Merchant or his creditors are unwilling to execute an agreement pursuant to this Act or that it is impossible to so execute an agreement. The conciliator will bear in mind whether the Merchant has defaulted an agreement that terminated a prior business reorganization. The conciliator's request will be processed through ancillary proceedings and must weigh the causes that gave rise to the same.

Article 151. The conciliator will recommend the making of such studies and appraisals as he may deem necessary to reach an agreement, and will make the same available, through the judge, to the creditors and the Merchant, except for such information as may be confidential in the terms of the applicable provisions.

Article 152. The Merchant may execute agreements with the workers provided that such agreements do not worsen the terms of the obligations payable by the Merchant, or ask the tax authorities for condonations or authorizations in the terms of the applicable provisions.

The terms of any agreements executed with the workers and of any resolutions in connection with authorizations or condonations regarding the payment of tax liabilities must be included in the agreement, if any, executed under this Title.

Article 153. The agreement must consider the payment of the credits referred to in Article 224 of this Act, of any singularly privileged credits, as well as those credits secured with a collateral and with a special privilege that did not sign the agreement.

The agreement must dispose the creation of enough reserves for the payment of any differences resulting from the challenges pending resolution and the credit liabilities pending determination.

In the case of tax liabilities, the agreement must include the payment of such liabilities in the terms of the applicable provisions; any default of this requirement will give rise to the corresponding administrative enforcement proceeding.

Article 154. Any private agreements between the Merchant and any of his creditors executed after the business reorganization declaration shall be null and void. Any creditor that signs them will forfeit his rights under the business reorganization.

Article 155. In the event that the proposed agreement includes a capital stock increase, the conciliator must so advise the judge so that the latter advises the stockholders in order for them to be able to exercise their right of first refusal within fifteen calendar days following such notification. If such right of first refusal is not exercised within such term, the judge must authorize the capital stock increase in the terms of the agreement proposed by the conciliator.

Article 156. All Recognized Creditors, except creditors due to tax liabilities and labor-related liabilities in connection with the provisions of Article 123, paragraph A, Section XXIII, of the Constitution and this Act, may sign the agreement.

The creditors need not meet to vote to sign the agreement.

Article 157. In order for it to be effective, the agreement must be signed by the Merchant and by Recognized Creditors representing over 50% of the sum of:

- I. The recognized amount of all of the regular Recognized Creditors; and
- II. The recognized amount of the Recognized Creditors having a collateral or special privilege that sign the agreement.

Article 158. The agreement shall be deemed signed by all regular Recognized Creditors, without any statement by them being admitted, if the agreement establishes the following in connection with their credits:

- I. The payment of the debt which is payable on the business reorganization judgment effective date, converted into UDIs at the value prevailing on the business reorganization judgment date;
- II. The payment of any amounts and related amounts that became payable under the current contract, from the business reorganization declaration date, to the agreement approval date, if the business reorganization was not declared, and assuming that the amount mentioned in the preceding paragraph was paid on the business reorganization judgment date. These amounts will be converted into UDIs at the value prevailing on the date on which each payment was due; and
- III. The payment, on such dates, for such amounts and in such denomination as may have been agreed upon, of any obligations which, under the respective contract, become payable on the agreement approval date, assuming that the amount referred to in Section I above was paid on the business reorganization judgment date and that the payments referred to in Section II were made when due.

The payments to which Sections I and II of this Article refer must be made within thirty business days following the agreement approval, at the value of the UDIs prevailing on the payment date.

The credits that receive the treatment to which this Article refers shall be deemed current from the agreement approval date onward.

Article 159. The agreement may only stipulate, for the regular Recognized Creditors that did not sign the agreement:

- I. A delay to pay, with the capitalization of regular interest, for a maximum term equal to the shortest term assumed by the regular Recognized Creditors that sign the agreement and that represent at least 30% of the recognized amount corresponding to such degree;
- II. A forgiveness of the principal plus earned and unpaid interest, equal to the shortest forgiveness assumed by the regular Recognized Creditors that sign the agreement and that represent at least 30% of the recognized amount corresponding to such degree; or
- III. A combination of forgiveness and delay, provided that the terms are identical to those accepted by at least 30% of the recognized amount of the regular Recognized Creditors that sign the Agreement.

The agreement may provide that the credits be maintained in the currency, value unit or denomination in which they were originally agreed upon.

Article 160. Any Recognized Creditors with collaterals that did not participate in the agreement signed, may start or keep on making good their collateral, unless the agreement contemplates the repayment of their credits pursuant to Article 158 of this Act, or the payment of the value of their collaterals. In this last instance, any amount of the recognized debt which exceeds the value of the collateral, shall be regarded as a regular credit and will be subject to the provisions of the preceding Article.

Article 161. If the conciliator considers that he has the favorable opinion of the Merchant and the required majority of the Recognized Creditors to approve the proposed agreement, will submit the same to the Recognized Creditors within ten days so that may express their opinions on the same and if proper sign the agreement.

The conciliator must attach to the agreement proposal a summary of the same listing its main features, in a clear and orderly manner. Both the proposed agreement and its summary must be submitted in the forms thereunto issued by the Institute.

After the term of seven days from the expiration date of the term granted in the first paragraph of this Article, the conciliator will file to the judge the agreement duly signed by the Merchant and by at least the required majority of Recognized Creditors. The filing shall be made as provided in the preceding paragraph.

Article 162. The judge, the day after the agreement is submitted to him with a summary for approval, must make the same available to the Recognized Creditors for five days, so that, if proper:

I. They file any objections that they may deem pertinent, regarding the authenticity of the statement of their consent, and

II. They exercise the right to veto to which the following Article refers.

Article 163. The agreement may be vetoed by a majority of the regular Recognized Creditors or else by any number of them, whose recognized creditors represent jointly at least 50% of the aggregate amount of said creditors' recognized credits.

The regular Recognized Creditors who did not sign the agreement may not exercise the right to veto if the agreement establish as a payment of their credits pursuant to Article 158 of this Act.

Article 164. After the term mentioned in Article 162 of this Act expires, the judge will make sure that the proposed agreement meets all of the requirements of this Chapter and is not inconsistent with any public policy provision. In this case, the judge will issue the resolution approving the agreement.

Article 165. The agreement approved by the judge will bind:

I. The Merchant;

II. Regular Recognized Creditors;

III. The Recognized Creditors having a collateral or special privilege that signed the agreement;
and

IV. The Recognized Creditors having a collateral or special privilege for whom the agreement provided for the payment of their credits in the terms of Article 158 of this Act.

The signing of the agreement by the Recognized Creditors having a collateral or special privilege does not imply the waiver of their collateral or privileges, which will subsist to guarantee the payment of any credits payable to them under the agreement.

Article 166. The agreement approval judgment will put an end to the business reorganization and the bodies thereof will cease to carry on their duties. For this purpose, the judge will order the conciliator to cancel any recordations made on the public registers due to the business reorganization.

TITLE SIXTH

Bankruptcy

Chapter I

Bankruptcy Declaration

Article 167. Any Merchant under business reorganization will be declared bankrupt:

I. Upon the Merchant's request;

II. Upon expiration of the term for the Conciliation and any extensions thereof granted, without an agreement being submitted to their judge for approval pursuant to this Act; or

III. Upon the conciliator's request and upon the judgment granting the bankruptcy declaration pursuant to Article 150 of this Act.

Article 168. In the event of Sections I and II of Article 167, the bankruptcy will be declared outright. In the case of Section III, the bankruptcy will be processed through ancillary proceedings.

Article 169. The bankruptcy declaration judgment must contain:

I. The declaration that the Merchant's authority to manage the properties and rights making up the Estate is suspended, unless such suspension was declared before;

II. An order to the Merchant, his administrators, managers and dependents, to surrender to the receiver the possession and administration of the properties and rights making up the Estate, other than those that cannot be disposed of or attached or which are not subject to prescription;

III. An order to the persons having in their possession property of the Merchant, other than property subject to the execution of an executory judgment for fulfillment of obligations that arose prior to the business reorganization, to turn them over to the receiver;

IV. A prohibition for the Merchant's debtors to pay to him or surrender property to him without the receiver's authorization, warning them that they must pay twice as much if they do not abide by the prohibition; and

V. An order to the Institute for it to appoint the conciliator as receiver, within five days or otherwise to appoint a receiver; in the meantime, whoever is in charge of the administration of the Merchant's enterprise shall have the duties of a depositary, with respect of the properties and rights that make up the Estate.

The bankruptcy judgment must contain in addition to the statements to which this Article refers, those mentioned in Article 43, Sections I, II and XV, of this Act.

Article 170. At the time that the bankruptcy is declared, the judge will order the Institute that, within five days, it ratify the conciliator as receiver or otherwise and pursuant to the general provisions thereunto issued, appoint the receiver, unless any of the events listed in Article 174 has already taken place.

The day following the receiver's appointment, the Institute will report such appointment to the judge. The receiver must submit to the judge, within five days following his appointment, the name of the persons that will assist him to perform his duties, without prejudice that he start performing his duties immediately following his appointment.

Article 171. The receiver must record the bankruptcy judgment and publish a summary of the same in the terms of Article 45 of this Act.

Article 172. The receiver must report his appointment to the creditors and set an address, within the jurisdiction of the judge hearing the business reorganization, to perform his duties under this Act.

Article 173. The conciliator, if any, will provide to the receiver all of the necessary assistance in order for the receiver to take office, and will surrender to him all of the information on the Merchant that he gathered while performing his duties and the Merchant's properties, if any, that he administered.

Article 174. The receiver appointed as provided in Article 173 may be replaced if:

I. The Merchant and the Recognized Creditors representing at least one half of the aggregate recognized amount ask the Institute, through the judge, to replace the receiver with the receiver they propose with cause from among those registered with the Institute; or

II. If the Merchant and a group of Recognized Creditors representing at least 75% of the aggregate recognized amount jointly appoint an individual or a legal entity not registered with the Institute and whom they wish to appoint as receiver, in which case they must agree the fees payable with him.

In such an event, the judge will so advise the Institute the next day and the Institute's appointment shall be null and void. The receiver thus appointed will assume all of the rights and obligations assigned to receivers by this Act.

In the case of the receiver's replacement, the substitute receiver must abide by the provisions of the preceding Article with respect of the conciliator.

Article 175. The Merchant, any Recognized Creditor and the conciliator may appeal the bankruptcy judgment in the same terms that the business reorganization judgment may be appealed. If the Merchant appeals the judgment and the judgment was issued due to the events listed in Article 167, Sections I and III, the appeal will be admitted staying the business reorganization; for all other cases, the appeal will be admitted in such manner that it does not stay the reorganization proceeding.

Chapter II

Particular Effects of the Bankruptcy Judgment

Article 176. Subject to the provisions of this Chapter, the provisions regarding the effects of the business reorganization judgment apply to the bankruptcy judgment.

Article 177. The authorities and obligations set by this Act to the conciliator, other than those which may be necessary to reach an agreement and to recognize credits, shall be deemed assigned to the receiver after his appointment. If the conciliation stage ends prematurely due to the Merchant's application for a bankruptcy declaration and the judge granted the application, whoever started the credit recognition proceeding will remain in office until completing his work.

Article 178. The judgment declaring the bankruptcy will imply the removal outright, without an additional court order, of the Merchant, from the management of his enterprise, in which he will be substituted for the receiver.

In order to perform his duties and subject to the provisions of this Act, the receiver shall have the fullest powers for acts of ownership that may be required under Act.

Article 179. The Merchant will retain the authority to dispose of and manage such properties and rights owned by him as legally cannot be disposed of, cannot be seized and are not subject to prescription.

Article 180. The receiver must take steps in order to be sworn in the moment that he is appointed, and must take possession of the properties and premises which are in the Merchant's possession and start managing them. For this purpose, the judge shall take the relevant steps and issue as many resolutions as may be necessary for the immediate occupancy of the books, papers, documents, electronic storage and data processing media and all of the property in possession of the Merchant.

The courthouse's rulings clerk shall certify as to any acts taken in connection with the receiver's taking of office.

In order to carry out any occupation proceedings, non-business days and hours shall be regarded as business days and hours.

Article 181. The occupation of the property, documents and papers of the Merchant, shall be carried out pursuant to the following rules:

I. As long as the receiver appointed by the Institute does not take office, the conciliator will keep on performing the supervision and surveillance duties entrusted to him;

II. As soon as the receiver takes office, he will immediately be given the inventories, properties, cash on hand, books, securities and other documents of the Merchant; and

III. The depositaries of the property that was attached and those appointed by the judge hearing the business reorganization upon ordering preventive remedies, will be ordered to deliver the same immediately to the receiver.

Article 182. The conservators, if they already took office, and the Merchant or his legal representative, may participate in the occupation actions.

Article 183. The receiver, upon taking office of the property making up the Merchant's enterprise, will immediately take such steps as may be necessary to protect and preserve them.

Article 184. During the time that the receiver runs the Merchant's enterprise, any sales of goods or services related to the enterprise's line of business, shall be made in the regular course of business.

Article 185. Any goods which due to their nature must be sold rapidly and any securities which are about to mature, or which otherwise must be produced in order to preserve the rights incidental to them, will be included in a list and delivered to the receiver, in order for him to take on due time such acts as may be necessary. The money will be surrendered to the receiver for him to deposit it.

Article 186. In the event that the depositaries of the properties that make up the Estate refuse to surrender their possession or hinder the receiver's performance, the judge, upon the receiver's request, will issue such coercive actions as may be necessary for such purpose.

Article 187. It will be presumed that the properties of the spouse, if the parties were married under the property separation marital system, the concubine or the male concubine of the Merchant acquired during the marriage or concubinage within two years prior to the retroactivity date of the business reorganization judgment, belong to the Merchant.

In order to take possession of such properties, the receiver must submit the issue to ancillary proceedings against the spouse, the female or male concubine of the Merchant, in which case it will be enough to prove the existence of the marriage or concubinage within said period and the purchase of such property within such term. The spouse, female or male concubine may oppose to such action proving that said property was purchased with their own means.

Article 188. All of the property purchased by the community property marital system in the two years prior to the retroactivity date of the business reorganization judgment will be included in the Estate. This provision comprises only any returns on said properties if the community property marital system comprises only such returns.

If the Merchant's spouse exercises the right to request the termination of the community property marital system, she may claim the rights and properties corresponding to her in the terms of the applicable provisions.

Article 189. The receiver, in managing the Merchant's enterprise, shall act as a diligent administrator of his own business, and will be liable for the losses or impairments suffered by the enterprise due to his fault or negligence.

In order to take out new credits and to create or replace guarantees, the provisions of Article 75, 76 and 77 of this Act must be complied with.

Article 190. Within sixty days following the date on which the receiver takes possession of the Merchant's enterprise, he must surrender to the judge:

- I. A report on the status of the Merchant's accounting;
- II. An inventory of the Merchant's enterprise; and
- III. A balance sheet as of the date on which he takes over the enterprise's management.

This obligations must be complied with in the forms thereunto set by the Institute.

Once the judge receives the documents listed in the preceding Sections, he shall make them available to any interested party.

Article 191. The inventory shall be prepared by means of a list and the description of all the goods and real estate, securities of all kinds, commercial wares and rights in favor of the Merchant.

The receiver will take possession of the properties and rights that make up the Estate as the inventory of this Act is prepared or checked. For this purpose, his status will be that of a court-appointed depository.

Article 192. Any acts carried out by the Merchant and his representatives without the receiver's authorization from the bankruptcy declaration onward, other than those carried out in connection with the property that the Merchant pretends the authority to dispose of, will be void. Said authorization must be issued in writing and may be for general or specific purposes.

If prior to the bankruptcy declaration the Merchant was removed from the management of his enterprise or his authority was limited in connection with certain of his properties, as concerns the third parties that it is proven were aware of this situation, any acts carried out which are not consistent with the Merchant removal order or the limitation of his authority shall be void.

If the third party participated in the business reorganization, he shall be presumed to have knowledge of the situation described in the preceding paragraph, and no evidence to the contrary will be admitted.

The act will not be voidable if the Estate benefits from the consideration received by the Merchant.

Article 193. Any payments made to the Merchant after the bankruptcy declaration, if the payers were aware that the bankruptcy was declared, will not discharge their liabilities. If the payment was made after the date on which the bankruptcy declaration was last published on the *Official Gazette of the Federation* or if the person that paid participated in the business reorganization file, it shall be presumed that the payment was made while knowing of the bankruptcy declaration, without no evidence to the contrary being admitted.

Article 194. For the purposes of this Act, it shall be presumed that any mail delivered at the address of the Merchant's enterprise relates to the enterprise's operations, and therefore the receiver or else the conciliator, upon managing the enterprise, may receive and open such mail without it being necessary that the Merchant be expressly present or issue his authorization.

Article 195. Any time that he is required to do so by the receiver, the Merchant must show up with the receiver. Bearing in mind the nature of the information that the receiver needs, he may ask the Merchant to show up personally or through an attorney in fact, or indicate which of the administrators, managers, employees or dependents must show up.

In order to exercise the authority to which the preceding paragraph refers, the receiver may ask for the judge's assistance, and the judge will issue such coercive actions as he may deem proper.

Article 196. In the case of legal entities, the provisions regarding the Merchant's obligations will be complied with by whoever, according to law, the current By-Laws or the Charter of Incorporation, is authorized to legally represent the legal entity.

CHAPTER SEVENTH

Sale of Assets, Ranking of Credits and

Repayment to Recognized Creditors

Chapter I

Sale of Assets

Article 197. Once the bankruptcy has been declared, and even though the credit recognition process has not been concluded, the receiver will sell off the properties and rights that make up the Estate, and shall attempt to receive the highest return on the sale.

If the sale of all of the properties and rights of the Estate as a productive unit allows for receiving the highest proceeds from the sale, the receiver must consider the advisability of keeping the enterprise as an ongoing concern.

Article 198. The sale of the assets must be made through the public auction process provided for in this Chapter, except for the provisions of Article 205 and 208 of this Act.

The auction must be carried out within no less than ten calendar days nor more than ninety calendar days following the date on which the invitation to bid is first published.

Article 199. The receiver will publish the invitation to bid pursuant to the general rules thereunto issued by the Institute.

The invitation to bid must contain:

- I. A description of each of the properties or set of properties of the same kind and quality whose sale is attempted;
- II. The minimum price that will serve as a reference to determine the award of the auction properties, together with a well-grounded explanation of said price and the supporting documents, if any;
- III. The date, time and place where the auction is to be carried out; and
- IV. The dates, places and times at which the interested parties may see, visit or examine the properties involved.

Article 200. From the date on which the publication mentioned in the preceding Article is made to the date immediately preceding the date on which the auction will take place, any party interested in participating in the auction may submit to the judge, in a sealed envelope, bids for the auction properties. Any bids filed afterwards will not be admitted.

Article 201. All bids or offers made in a sale proceeding must comply with the following requirements:

- I. They must be filed on the forms thereunto published by the Institute;

II. They must provide for the payment in cash. Where it is not possible to determine accurately the amount corresponding to a Recognized Creditor as a bankruptcy share in a sale, the creditor involved will be allowed to apply said amount to an offer, which will be tantamount to payment in cash;

III. They must be in effect for at least forty five calendar days following the auction date or else the date on which the offer is filed; and

IV. Must be guaranteed as provided by the Institute by means of general rules.

Article 202. Upon filing the bids or offers to the judge pursuant to this Article or Article 205 of this Act, the bidders or offerors must state, under oath, their family or equity bonds with the Merchant, his administrators or persons related directly to the Merchant's operation. Anyone who files a bid or offer on behalf of another must in addition state his bond with the persons whom he represents. For the purposes of this Article, in the event that the Merchant is a legal entity, prior to selling the assets the receiver must advise the judge who owns the capital stock and in what percentage, and identify its administrators and persons who can bind him with their signature.

Failure to file such statements, or any misstatements, will give rise to the cancellation of any award resulting from the acceptance of the bid involved, without prejudice or any resulting liability. In this case, the auction shall be deemed as not having been made.

For the purposes of this Article, family relationship will be deemed to be the spouse, female or male concubine as well as kinship up to the fourth degree; or up to the second degree regarding relationship by affinity. The family relationship, if any, shall be deemed to refer to the administrators, managers, directors, agents and members of the board of directors of the Merchant.

In the event that the Merchant is a legal entity, equity relationship for the purposes of this Article shall mean that between him and the following persons:

I. The owners of at least 5% of his capital stock;

II. Those who actually control the legal entities holding at least 5% of his capital stock;

III. The legal entities in which their administrators or the persons mentioned in the above sections own either jointly or individually at least 5% of the capital stock;

IV. Those who can bind him with their signature;

V. Those in whose capital stock he owns either directly or indirectly at least 5%;

VI. The administrators and persons that can bind with their signatures the persons mentioned in the preceding Section; and

VII. Any other persons who, due to their being directly related to the Merchant's operations, have access to privileged or confidential information on the Merchant's enterprise.

The persons falling in any of the events to which this Article refers may file bids within the term mentioned in Article 200 of this Act, but after filing them may neither improve them or participate in further biddings.

Article 203. The judge or the courthouse's rulings clerk, will preside over the auction on the date, at the time and at the place authorized by the judge, pursuant to the following:

I. Access to the auction shall be public;

II. At the time set for the auction, whoever presides it will declare the same convened and thereafter will open, in the presence of the participants, the envelopes containing the bids received, and will reject

those that do not meet the requirements of Article 201 or which offer less than the minimum price set in the invitation to bid;

III. If no valid bid is received, the auction will be declared as not having being held;

IV. Whoever presides the auction will read out loud the amount of each admitted bid, and will expressly mention those made by persons having a family or equity bond with the Merchant, pursuant to this Act;

V. Upon conclusion of the reading, whoever presides the auction will indicate the bidder which offered the highest price for the auction property and will ask whether any of those present wish to offer more. If someone offers more within fifteen minutes, the president will again ask whether some other bidder wishes to improve the price and thus successively in relation with the bids made; and

VI. If any fifteen-minute term passes without no better bid being made, the latest bid will be deemed as the winning bid.

Article 204. At the end of the bidding, the judge will order the award of the property, after payment, to the winning bidder.

In all events, full payment must be made within ten days following the date on which the auction was held. Otherwise, the bid will be rejected and the auction shall be regarded as not having being made. In this case, the bidder will forfeit the deposit he made or the corresponding security will be executed to the benefit of the Estate.

Article 205. The receiver may ask the judge for authorization to sell any property or set of properties of the Estate through a procedure other than the one provided for in the preceding Articles, if he believes that in so doing a higher price will be obtained.

In this case, the receiver's request must contain:

I. A detailed description of each property or set of properties of the same kind and quality which are to be sold;

II. A description of the procedure pursuant to which he proposes to make the sale; and

III. A well-grounded explanation of the advisability of making the sale as proposed by him and not as provided in Articles 198-204 of this Act.

Article 206. The day after receiving the request to which the preceding Article refers, the judge will make the same available to the Merchant, the Recognized Creditors and the conservators for a ten-day term.

During such term, the following may submit in writing to the judge their disagreement with the proposal:

I. The Merchant;

II. One fifth of the Recognized Creditors;

III. The Recognized Creditors representing in all at least 20% of the total amount of the recognized credits; or

IV. The conservators appointed by the Recognized Creditors representing at least 20% of the total amount of the recognized credits.

If such term expires and no disagreement is submitted, the judge will order the receiver to sell in the terms of his request.

Article 207. If upon the end of a six-month term following the commencement of the bankruptcy stage not all of the properties of the Estate have been sold, any person interested in buying them may file with the judge an offer to buy any of said properties from among the remaining properties. The offer must be filed on the forms and pursuant to the bases thereunto issued by the Institute, indicating the properties it comprises and the price offered and must be accompanied by the security determined by the Institute by means of general rules.

On the day following the date on which he receives the offer, the judge shall make it available to the Merchant, the Recognized Creditors and the conservators for a term of ten days. If at the end of such term the persons mentioned in Article 206, Sections I-IV, of this Act have not reported in writing to the judge their opposition to the offer, the judge will order the receiver to call an auction within three days following receipt of the order, pursuant to Article 199 of this Act, and set the price of the offer received as the minimum price to which Section II of said Article refers.

The auction will take place within no less than ten calendar days nor more than ninety calendar days following the invitation to bid.

The offer received will be regarded as a bid at the auction. The person who made it may neither improve it nor participate in further biddings.

Article 208. Under his responsibility, the receiver may proceed to sell goods of the Estate, disregarding the provisions of this Chapter, if the goods must be immediately sold because they cannot be kept without deterioration or spoilage, or because they are subject to a serious price decrease, or because keeping them may be extremely expensive if compared with their value.

In this cases, within three business days following the sale, the receiver, through the judge, will report the sale to the Merchant, the conservators and the Recognized Creditors. The report must include a description of the goods involved, their prices and selling terms, and the justification of the urgency to sell and the identity of the buyer.

Article 209. The properties which are the subject matter of a demand for setting aside, may not be sold as long as the judgment that refuses the demand is not standing.

Article 210. The receiver may request such expert opinions, appraisals and other studies as he may deem necessary to perform his duties.

The receiver must publish the studies to which the preceding paragraph refers, which must be submitted in the forms thereunto set by the Institute.

The Institute, by means of general rules, may set payments and deposits to be made by those who request access to said information; said amounts shall become a part of the Estate.

Article 211. If the sale provides for the award of the Merchant's enterprise as an ongoing concern, or of parts thereof which consist of exploitation units, the receiver must notify any parties having outstanding contracts related to the enterprise or to the unit which is to be sold, and shall advise them that they have a ten-day calendar day term following the notification date, to advise the receiver in writing that they are willing to terminate their respective contracts. The contracts of any contracting parties that do not object to their termination, will continue with the awardee.

The notification must be made in writing at the contracting parties' addresses, when known according to the books and documents of the Merchant's enterprise. If the address of one or more contracting parties is not known, the notification must be made by means of a publication on one of the largest circulation dailies, for two consecutive days, and the notice must include the name of the contracting parties to whom the notice is addressed. The notification shall be deemed made one day following the last publication.

Article 212. The receiver shall not guarantee title in the event of lawful dispossession or for any hidden defects of the properties sold, unless otherwise agreed upon with the buyer.

The buyer of all or part of the Estate properties may not demand the receiver, or the Recognized Creditors that receive the bankruptcy shares, to refund all or a part of the price, a reduction of the price or the payment of any liability.

Article 213. Recognized Creditors with a collateral that start or continue an enforcement proceeding pursuant to the provisions of any applicable laws, must so advised the receiver, and provide any data that identify the enforcement proceeding.

The receiver may participate in the enforcement proceeding to defend the interests of the Estate.

Article 214. During the first calendar days of the bankruptcy stage, the receiver may avoid the separate enforcement of a collateral whenever he considers that it is beneficial for the Estate to sell such collateral as part of a set of properties.

In these cases, prior to selling the set of properties involved, the receiver will appraise the property that secure the credit.

If the creditor did not exercise the right to which reference is made in the second paragraph of Article 89 of this Act, the following shall apply:

I. If the receiver's appraisal exceeds the amount of the credit involved, including any interest earned after the sale date, the receiver will repay the credit in full, with any deductions that may be in order pursuant to this Act; or

II. If the appraisal is for less than the amount of the credit, including the corresponding interest, the receiver shall pay the amount of the appraisal to the creditor. If the appraisal is for less than the credit recognized as of the reorganization declaration date, the difference shall be registered as a regular credit.

If the creditor exercised the right referred to in the second paragraph of Article 89 of this Act, the following shall apply:

I. If the creditor assigned to his collateral a value which exceeds the receiver's appraisal, the receiver shall pay to the creditor the amount of the appraisal and will register for payment as a regular credit the difference between the appraisal and the amount of the recognized credit as of the reorganization declaration date; or

II. If the creditor assigned to its collateral a value which is lower than the receiver's appraisal, the receiver will pay to the creditor the amount that the creditor assigned to its collateral, and will register for payment as a regular credit the difference between the assigned value and the amount of the recognized credit as of the reorganization date.

For the purposes of the comparisons and the payments to which this Article refers, the value attributed by the creditor to his collateral shall be converted into Mexican currency, using for that purpose the value of the UDIs on the day prior to the payment to the creditor.

In all instances, the payment to the creditor must be made within three days following the sale of the package of properties involved.

The Recognized Creditor involved may challenge the receiver's appraisal. The challenge will be processed through ancillary proceedings, will not suspend the property sale and its results will not affect the validity of the sale. While the challenge is being resolved, the receiver must set aside, from the proceeds of the sale, the amount corresponding to the difference between the value attributed by the receiver and the value claimed by the dissenting Recognized Creditor, and invest it as provided in Article 215 of this Act.

If the judge decides that the challenge is grounded and attributes to the property or properties a value which exceeds the value attributed by the receiver, such difference and any proceeds therefrom will be turned over to the Recognized Creditors. If the judgment rejects the challenge, any amount set aside as a reserve will be refunded to the Estate.

Article 215. As concerns the investments and reserves to which Articles 214 and 230 of this Act refer, the receiver must make such investments on fixed-yield instruments of a credit institution whose returns preponderantly protect the actual value of said funds in terms of inflation and which, in addition, offer proper characteristics as to safety, profitability, liquidity and availability.

The receiver must file with the judge a monthly report on the status of the investments to which the preceding paragraph refers and on any transactions that took place in said month, so that the judge, on the day following receipt of the same, make it available to the Merchant and the conservators.

Article 216. If a collateral is either made good or sold pursuant to Article 214, the amount that the creditor must contribute to the payment to singularly privileged creditors and of the credits charged to the Estate, shall be deducted from the proceeds of the sale, pursuant to Article 226 of this Act.

If it is not possible to determine with accuracy, at the time of the execution, the contribution payable by the creditor, the minimum amount that can be determined shall be deducted and a reserve will be created for the difference between the minimum amount and the maximum amount that must be contributed, on the basis of the computations thereunto made by the receiver. The final adjustment will be made as soon as it is possible to determine accurately the amount of the corresponding contribution.

Chapter II

Credit Ranking

Article 217. The creditors will be ranked pursuant to the following degrees, depending on the nature of their credits:

- I. Singularly privileged creditors;
- II. Creditors with a collateral;
- III. Creditors with a special privilege; and
- IV. Regular creditors.

Article 218. Singularly privileged creditors are those whose preference will be determined by their order of enumeration, are the following:

- I. The Merchant's burial expenses, if the business reorganization judgment is issued after his death; and
- II. Creditors for expenses incurred in connection with the illness that caused the Merchant's death, if the business reorganization judgment is issued after his death.

Article 219. For the purposes of this Act, creditors with collaterals, provided that such collaterals are duly created pursuant to the applicable laws, are the following:

- I. Mortgagees; and
- II. Pledgees.

The credits of creditors with a collateral will be repaid out of the proceeds of the property subject to the collateral, other than the creditors referred to in Article 217, Sections III and IV, of this Act, and in the order determined pursuant to the applicable laws in connection with the registration date.

Article 220. Creditors with a special privilege are those who, according to the Commercial Code or the applicable laws, have a special privilege or a retention right.

Creditors with a special privilege will collect in the same terms as the creditors with a collateral or depending on the date of their credits, if not subject to recordation, unless several of them have an interest on a specific thing, in which case the distribution will be made pro rata without distinction as to dates, unless the laws provide otherwise.

Article 221. Any labor-related credits other than those mentioned in Article 224, Section I, and the tax liabilities will be paid after the singularly privileged credits and the credits with a collateral have been repaid, but before the credits with a special privilege.

If the tax liabilities are guaranteed with a collateral, the provisions of Article 219 of this Act shall apply for the purposes of their payment, up to the amount of their collateral, and any balance shall be paid in the terms of the first paragraph of this Article.

Article 222. Regular creditors are those not considered in Article 218 to 221 and 224 of this Act and will collect on a pro rata basis without distinction as to dates.

Article 223. No payments shall be made to creditors of certain ranking if the credits of the creditors of the prior ranking have not been paid, in the terms of the preference established for the same.

Article 224. The following are credits against the Estate and shall be paid in the indicated order and before any of the credits to which Article 217 of this Act refers:

I. Those listed in Article 123, paragraph A, Section XXIII, of the Constitution and its regulating provisions, taking into consideration the wages for the two years preceding the Merchant's business reorganization declaration;

II. Those assumed by the Merchant to manage the Estate, with the conciliator's or receiver's authorization or those assumed by the conciliator, if any;

III. Those assumed to attend to the regular expenses for the protection of the properties of the Estate, their repair, preservation and management;

IV. Those resulting from judicial or extrajudicial proceedings in benefit of the Estate; and

V. The inspector's, conciliator's and receiver's fees and the expenses incurred by any of them, provided that they were strictly necessary for their performance and are duly supported pursuant to the provisions issued by the Institute.

Article 225. The privilege to which the preceding Article refers cannot be made good against creditors with a collateral or special privilege, and only the following have a privilege:

I. The creditors for the items referred to in Article 123, paragraph A, Section XXIII, of the Constitution and its regulating provisions, taking into consideration the wages of the two years preceding the Merchant's business reorganization declaration;

II. The expenses incurred in connection with any litigation filed to defend or recover any properties which were the subject of the collateral or to which the privilege applies; and

III. Such expenses as may be necessary for the repair, preservation and sale of the same.

Article 226. If the total amount of the Merchant's obligations under Article 225, Section I, of this Act, exceeds the value of all of the properties of the Estate which are not subject to a collateral, the excess of the privilege will be distributed among all of the guaranteed creditors.

Article 227. In order to determine the amount that each creditor must contribute to the obligation mentioned in the preceding Article, the value of all of the properties of the Estate which are not the subject matter of a collateral will be deducted from the total amount of the Merchant's obligations under Article 225, Section I, of this Act. The resulting amount shall be multiplied by the ratio that the value of the creditor's collateral has to the sum of the values of all of the properties of the Estate which are the subject of a collateral.

Article 228. When a company has been declared under business reorganization whose stockholders are liable without limitation, the stockholders' creditors whose credits predate the beginning of the stockholder's unlimited liability, will meet with the company's creditors, and will receive the degree and preference corresponding to them.

Any later creditors of the stockholders who are liable without limitation, of a company declared in reorganization, shall be entitled only to collect their credits out of the balance, if any, remaining after the involved company's debts have been paid, in accordance with these provisions.

Chapter III

Payment to Recognized Creditors

Article 229. As from the bankruptcy judgment date, at least every two months, the receiver will submit to the judge a report on sales made and on the status of the remaining assets, as well as a list of the creditors to be paid, as well as of the bankruptcy share corresponding to them.

Regarding the challenged credits, the receiver must create a reserve for the amounts of the sums, if any, corresponding to them. Said reserves shall be invested as provided in Article 215 of this Act, and when the challenge is resolved, the involved Recognized Creditor shall be paid or the surplus will be refunded.

Article 230. Where the resolution of one or more challenges may modify the amount to be distributed among the Recognized Creditors, the receiver will distribute only such amount as cannot be reduced as a consequence of the appeal. A reserve will be created for the difference and it will be invested as provided in Article 215 of this Act. When the challenge is resolved, payment, if any, shall be made to the creditor.

Where no credit recognition, ranking and preference judgment has been issued, the proceeds of any sales made must be invested as provided in Article 215.

Article 231. The judge shall make available to the Recognized Creditors and the Merchant the report and list to which Articles 229 and 230 of this Act refer, so that within three days afterwards they make such statements as may suit their interests. After such term, the judge will decide on the manner and terms in which any available cash will be distributed.

Article 232. The distributions under reorganizations will continue to be made as long as there are properties in the assets that can be sold.

Article 233. If at the time that the business reorganization must be concluded there are credits pending recognition because the judgment that recognize them was challenged, the judge will wait to declare the conclusion of the business reorganization, until the corresponding challenge has been resolved.

Article 234. All of the properties of the assets shall be deemed sold even though some assets remain, if the receiver proves to the judge that they have no economic value, or that their value is less than any charges thereon or any expenses which may be necessary to sell them.

In these instances, the judge, hearing the conservators pursuant to the procedure set in Article 76 of this Act, will decide on the destination to be given to said properties.

Article 235. Once the business reorganization has been concluded, the creditors that did not receive full payment will individually retain their rights and actions to be exercised against the Merchant for the balance.

Article 236. Once the business reorganization has been concluded due to the cause referred to in Article 262, Sections III and IV, of this Act, if any property belonging to the Merchant is discovered or if property is returned to the Merchant that should have been included in the Estate, such property will be sold and distributed as provided by this Act.

TITLE EIGHTH

Special Reorganizations

Chapter I

Business Reorganizations of Merchants that

Provide Public Services Pursuant to Concessions

Article 237. Any Merchant that due to his concession title provides a federal, state or municipal public service, may be declared in business reorganization.

Article 238. The business reorganizations to which the preceding Article refers shall be subject to the laws, regulations, concession titles and other provisions governing the concession and the involved public service, and the provisions of this Act shall apply to them in everything which is not inconsistent with such laws, regulations, concession titles and other provisions regulating the concession and the involved public service.

Article 239. For the purposes of this Chapter, the term grantor authority shall mean the government, agency or any other public entity that grants the concession to provide a public service.

Article 240. The grantor authority will propose to the judge everything pertaining to the appointment, removal and replacement of the conciliator and the receiver that participate in the business reorganizations to which this Chapter refers, and to the monitoring of the activities carried out by said conciliator and receiver. Whenever the special circumstances of the case so justify, the grantor authority may set a compensation system other than the one established in Article 333 of this Act.

Article 241. Once the business reorganization of a Merchant has been declared pursuant to this Chapter, the grantor authority will propose to the judge the removal of the party charged with the management of the Merchant's enterprise, and the appointment of a person to assume such management, whenever it may deem it necessary for the continuity and safety of the provision of the public service.

In such instances, the grantor authority will communicate its determination to the judge, who without delay will take such steps as may be necessary for the person appointed by the grantor authority to take over the Merchant's enterprise. The occupation shall take place pursuant to the formalities provided for in Article 180 to 182 of this Act.

Article 242. Any agreement proposed pursuant to Title Fifth of this Act must be notified to the grantor authority, and the grantor authority may veto the proposed agreement within the term set by Article 162 of this Act.

Article 243. If the receiver proposes, with the grantor authority's prior agreement, a sale proceeding pursuant to Articles 205 and 206 of this Act, it may only be objected by:

- I. One half of the Recognized Creditors;
- II. Recognized Creditors who jointly represent at least 50% of the total amount of the recognized credits; and
- III. The conservators who jointly account for at least 50% of the total amount of the recognized credits.

Article 244. Where the sale of the Merchant's enterprise includes the transfer of the concession title, the transaction must have the prior approval of the grantor authority, which will make sure that the transferee complies with the requirements to qualify to provide the public service, and which are established by the applicable provisions.

Chapter II

Business Reorganization of Credit Institutions

Article 245. The business reorganization of credit institutions shall be governed by the provisions of this Act which are not inconsistent with the applicable special provisions.

Article 246. Only the Institute for the Protection of Bank Savings [**Instituto para la Protección del Ahorro Bancario**] or the National Banking and Securities Commission [**Comisión Nacional Bancaria y de Valores**] pursuant to the applicable laws may request the business reorganization of a credit institution.

From the date on which a demand for the business reorganization of a credit institution is filed, such credit institution shall shut down all the offices that provide service to the public and suspend any type of borrowing, lending and service transactions.

The judge may adopt by operation of law or upon request of the Institute for the Protection of Bank Savings or the National Banking and Securities Commission, such preventive remedies as may be necessary for the protection of the workers, premises and assets of the institution, as well as the interests of the creditors.

Article 247. Upon receipt of a demand for business reorganization, the judge will summon the party to whom the institution's management has been entrusted, and will grant him a nine-day term to answer the demand. In his answer, the party charged with the management must offer such evidence as is authorized by this Act.

The day following the date on which the judge receives the answer, it will make such answer available to the plaintiff of the business reorganization, so that within a three-day term he make such statements as may suit his interests and offer more evidence, if proper.

Article 248. If the answer to the complaint is filed in writing, only documentary evidence and experts' opinions will be admitted. Whoever files an expert opinion must accompany a brief with such information and documents as may establish the corresponding expert's expertise and know-how. Under no circumstances will the experts be summoned for questioning.

The judge may order such other evidentiary proceedings as he may deem advisable, which must be carried out within a maximum ten-day period.

Article 249. When the business reorganization of a credit institution is declared, the procedure will be commenced in all instances with the bankruptcy stage.

Article 250. The Institute for the Protection of Bank Savings will be in charge of proposing to the judge the appointment, removal or replacement, as the case may be, of the receiver of a credit institution business reorganization.

Article 251. The National Commission for the Protection and Defense of Financial Services Users [**Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros**] may appoint up to three conservators who shall be under the obligation of representing and protecting the rights and interests of the creditors of the institution under business reorganization.

Article 252. Any sale proposals made by the receiver, with the approval of the Institute for the Protection of Bank Savings, may be objected to by the credit institution and the judge will resolve as proper.

Article 253. Creditors that are also credit institutions may offset the debts and credits by means of remittances of credit instruments or payment instruments that may have been submitted to a clearing house authorized pursuant by the applicable laws.

Chapter III

Business Reorganization of Auxiliary Credit Institutions

Article 254. The business reorganization of auxiliary credit institutions will be governed by this Act where not inconsistent with the applicable special laws.

Article 255. Without prejudice of the provisions of Article 21 of this Act, the National Banking and Securities Commission may also demand the declaration of business reorganization of an auxiliary credit institution.

Once the demand for business reorganization has been admitted, the judge will order that it be notified to the National Banking and Securities Commission and will order, whether by operation of law or upon the request of the plaintiff or of said Commission, such preventive remedies as may be necessary to protect the interests of the creditors, the workers, the premises and the assets of the institution.

Article 256. Upon receipt of a demand for business reorganization, the judge will summon the party to whom the institution's management has been entrusted, and will grant it a nine-day term to answer the demand. In his answer, the party charged with the management must offer such evidence as is authorized by this Act.

The day following the date on which the judge receives the answer, it will make such answer available to the plaintiff of the business reorganization, so that within a three-day term he make such statements as may suit his interests and offer more evidence, if proper.

Article 257. If the answer to the complaint is filed in writing, only documentary evidence and experts' opinions will be admitted. Whoever files an expert opinion must accompany a brief with such information and documents as may establish the corresponding expert's expertise and know-how. Under no circumstances will the experts be summoned for questioning.

The judge may order such other evidentiary proceedings as he may deem advisable, which must be carried out within a maximum ten-day period.

Within five days following the expiration of the term granted by Article 256, second paragraph, of this Act, the judge will issue the corresponding judgment.

Article 258. Upon the declaration of the business reorganization, the National Banking and Securities Commission, in defense of the creditors' interests, may request that the proceeding be started in the bankruptcy stage or else the earlier termination of the conciliation stage, in which case the judge will declare the bankruptcy outright.

Article 259. The National Banking and Securities Commission will propose to the judge the appointment, removal or replacement, as the case may be, of the conciliator and receiver of the business reorganization of an ancillary credit institution.

Article 260. The National Commission for the Protection and Defense of Financial Services Users may appoint up to three conservators, who will be under the obligation of representing and protecting the rights and interests of the creditors of the Institution under business reorganization.

Article 261. Any sale proposals may by the receiver with the approval of the National Banking and Securities Commission, may be objected to by the auxiliary credit institution involved and the judge will resolve as proper.

TITLE NINTH

Conclusion of the Business Reorganization

Single Chapter

Conclusion of the Business Reorganization

Article 262. The judge will declare the business reorganization concluded in the following cases:

- I. Upon the approval of an agreement pursuant to Title Fifth of this Act;
- II. Upon full payment to the Recognized Creditors;
- III. Upon payment to the Recognized Creditors by means of a bankruptcy share of the Merchant's obligations, if there are no further properties to be sold;
- IV. Upon proof that the Estate is insufficient even to repay the credits to which Article 224 of this Act refers; or
- V. Upon request by the Merchant and all of the Recognized Creditors.

Article 263. The conciliator, the receiver, any Recognized Creditor or any conservator may request the judge to conclude the business reorganization due to the causes referred to in Article 262, Sections III and IV.

Article 264. If the business reorganization was concluded for any of the reasons listed in Article 262, Section III or IV, of this Act, any Recognized Creditor which within two years following the conclusion proves the existence of properties which are at least enough to pay the credits to which Article 224 of this Act refers, may cause the reopening of the business reorganization.

The business reorganization will be resumed at the point at which was concluded.

Article 265. The business reorganization conclusion judgment will be made known through the Judicial Bulletin or the courthouse bulletin board.

Article 266. The business reorganization conclusion judgment may be appealed by the Merchant, any Recognized Creditor and the District Attorney as well as by the inspector, the conciliator or the receiver in the same terms that the business reorganization judgment may be appealed.

TITLE TENTH

Ancillary Proceedings, Remedies and Coercive Actions

Chapter I

Ancillary Proceedings and Remedies

Article 267. The interested party will submit through ancillary proceedings to the judge, in order for him to hear and decide on any issues that may arise throughout the business reorganization proceeding, and for which no special processing has been set, as follows:

I. A copy of the initial ancillary proceeding brief will be submitted for five days to the party or parties interested in the issue. Any party that does not produce an answer shall be regarded as having admitted to the contents of the initial ancillary proceeding brief, unless otherwise proven;

II. In the ancillary claim and the answer to the same, the parties will offer evidence, and indicate the issues that the evidence will address, which must be related to the ancillary proceeding;

III. Upon the expiration of the term to which section first I of this Act refers, the judge will summon the parties for a hearing at which evidence and allegations will be made, which shall take place within the next ten days;

IV. If the parties offer testimonial or expert evidence, they will provide, with the brief whereby they offer evidence, a copy of the questionnaires pursuant to which the witnesses must be examined, or of the questionnaire for the experts, and list the witnesses' names and addresses and the name and address of each party's expert. The judge will order that a copy be delivered to each party, so that they may make questions in writing or orally at the hearing. No more than three witnesses will be admitted for each fact;

V. Upon offering expert evidence, the judge will appoint an expert or more, as he may deem necessary, without prejudice that each party may also appoint an expert to act together with the expert appointed by the judge or to render their testimony separately;

VI. In order for the parties to be able to produce their evidence at said hearing, the officials or authorities must promptly issue to the parties such copies or documents as the parties may request, and must be warned that if they do not do so they shall be subject to the coercive action that the judge may deem advisable, and no evidence will be admitted which is not prepared on time due to lack of interest in producing the same; and

VII. Upon the conclusion of the hearing, without a summon being necessary, the judge will hand down the respective interlocutory judgment within three days.

The ancillary proceedings filed pursuant to this Act will not stay the main proceeding.

Article 268. If this Act does not provide the appeal, revocation will be in order, which will be processed pursuant to the provisions of the Commercial Code.

Chapter II

Coercive Actions

Article 269. In order to enforce his decisions, the judge may employ, at discretion, any of the following coercive actions:

I. A fine at the rate of 120 to 500 days' the general minimum wage in effect in the Federal District at the time of the infringement, which may be doubled in the event of repetition;

II. The assistance of the public forces and the cracking of locks, as necessary; and

III. The arrest for up to thirty six hours.

If the event calls for a more severe sanction, the competent authorities shall be so advised.

Article 270. If in exercise of the authority conferred upon him by the preceding Article the judge requests the assistance of the public forces, the competent authorities shall be under the obligation, under their strictest responsibility, to provide such assistance as fully and for such time as may be necessary.

TITLE ELEVENTH

Penal Aspects of the Business Reorganization

Single Chapter

Offenses Under Business Reorganization

Article 271. Any Merchant who has been declared under business reorganization pursuant to a standing judgment, shall be subject to a penalty of one to nine years in prison for any malicious act or conduct which causes or worsens the generalized default of his payment obligations.

Unless otherwise proven, the Merchant shall be presumed to have maliciously caused or worsened the generalized default of his payment obligations when he carries his accounting records in such a manner that does not allow to become aware of his true financial condition or else alters, falsifies or destroys his accounting records.

The judge will bear in mind, in order to individualize the penalty, the extent of the loss caused to creditors and the number of creditors.

Article 272. The Merchant against whom a business reorganization proceeding is being pursued will be sanctioned with one to three years in prison when, being required by the business reorganization judge, he fails to make, within the term thereunto granted by the bankruptcy judge, his accounting statements available to the person designated by the judge, unless the Merchant proves that he was unable to do so due to force majeure or acts of god.

Article 273. If the Merchant is a legal entity, the penal liability will be applied to the members of its board of directors, administrators, directors, managers or liquidators of the legal entity, who were the authors of or participated in the offense.

Article 274. One who directly or through another person requests in the business reorganization the recognition of a non-existing or simulated credit will be sanctioned with a penalty of one to nine years in prison.

Article 275. Any offenses carried out while in business reorganization will be prosecuted on the basis of a complaint. The Merchant and each of his creditors will be entitled to file complaints; the creditors will be so entitled even if some other creditor withdrew his complaint or granted the acquittal.

Article 276. In the cases of offenses while under business reorganization, the penal judge will not hear the relief of any damage, as such issue will be handled by the business reorganization judge.

Article 277. Any offenses while under business reorganization, committed by the Merchant, by any person who acted in the Merchant's behalf or by third parties, may be prosecuted without having to wait for the conclusion of the business reorganization, and without prejudice of the continuation of such business reorganization.

The decisions of the judge hearing the business reorganization are not binding upon the penal jurisdiction. No qualification shall be necessary to prosecute such offenses.

TITLE TWELFTH

Cooperation in International Proceedings

Chapter I

Miscellaneous

Article 278. The provisions of this Title shall apply in any of the following events:

I. In the event that a Foreign Court or a Foreign Representative requests assistance in the Republic of Mexico in connection with a Foreign Proceeding;

II. In the event that assistance is requested in a foreign State in connection with a proceeding which is being processed pursuant to this Act;

III. In the event that a foreign proceeding and a proceeding in the Republic of Mexico pursuant to this Act are being concurrently processed in connection with the same Merchant; or

IV. In the event that the creditors or other interested parties located in a foreign State are interested in requesting the commencement of a proceeding or in participating in a proceeding which is being processed pursuant to this Act.

Article 279. For the purposes of this title:

I. Foreign Proceeding shall mean the collective proceeding, whether judicial or administrative, including any provisional proceeding, being processed in a foreign State pursuant to a law on the Merchant's business reorganization, bankruptcy or insolvency, pursuant to which the Merchant's properties and businesses are subject to the control or supervision of the Foreign Court, for the purposes of their reorganization or liquidation;

II. Principal Foreign Proceeding shall mean the Foreign Proceeding pursued in the State where the Merchant has its principal place of business.

III. Non-Principal Foreign Proceeding shall mean a foreign proceeding being pursued in a State where the Merchant has one of the establishments described in Section VI of this Article;

IV. Foreign Representative shall mean such person or agency, even one appointed provisionally, that has been authorized in a Foreign Proceeding to handle the reorganization or liquidation of the Merchant's properties or businesses or to act as representative of the Foreign Proceeding;

V. Foreign Court shall mean the judicial or other authority which may be competent for the purposes of the control or monitoring of a Foreign Proceeding; and

VI. Establishment shall mean any place of operations in which the Merchant carries out an economic activity in a non-transitory manner, with human means and goods or services.

Article 280. The provisions of this Title shall apply if no other means is available in the international treaties to which Mexico may be a party, unless there is no international reciprocity.

Article 281. The duties to which this Title refers regarding the recognition of Foreign Proceedings and regarding cooperation with Foreign Courts will be exercised pursuant to the provisions of this Act by the judge, the Institute or the Institute-appointed person.

Article 282. The inspector, the conciliator or the receiver shall be empowered to act in a foreign State, to the extent permitted by the applicable foreign law, on behalf of a business reorganization which has been initiated in the Republic of Mexico pursuant to this Act.

Article 283. Nothing provided in this Title may be construed as being contrary to the provisions of Titles I-XI and XIII of this Act, or otherwise contrary to the fundamental principles of law in effect in the Republic

of Mexico. Therefore, the judge, the Institute, the inspector, the conciliator or the receiver, shall refuse to take any step that may be contrary to the provisions of such Titles or which might breach said principles.

Article 284. Nothing provided in this Title will limit the authority of the judge, the Institute, the inspector, the conciliator or the receiver to provide additional assistance to the Foreign Representative, pursuant to other laws in effect in Mexico.

Article 285. In interpreting the provisions of this Title, its international origin and the need to promote the uniformity of application and good faith observance, must be taken into account.

Chapter II

Foreign Representatives' and Creditors' Access to Mexican Courts

Article 286. Subject to the provisions of this Act, any Foreign Representative shall be authorized to directly resort to the judge in the proceedings regulated by this Act.

Article 287. The fact that a Foreign Representative files an application with a court in the Republic of Mexico, pursuant to the provisions of this Title, does not imply submission of such Foreign Representative or of the Merchant's properties and businesses overseas, to the jurisdiction of the Mexican courts for purposes other than the purposes of the application.

Article 288. Any Foreign Representative shall be empowered to request the commencement of a business reorganization pursuant to this Act, if the conditions for the commencement of such proceeding are otherwise complied with.

Article 289. Beginning with the recognition of a Foreign Proceeding, the Foreign Representative shall be entitled to participate in any business reorganization that may have been commenced pursuant to this Act.

Article 290. Except for the provisions of the second paragraph, the Foreign Creditors shall have the same rights as Mexican creditors as concerns the commencement of a proceeding in this State and the participation in it pursuant to this Act.

The provisions of the first paragraph of this Article will not affect the order of preference of the credits in a business reorganization declared pursuant to this Act, except that the credits of foreign creditors will not be ranked below the regular creditors.

Article 291. Whenever pursuant to this Act some proceeding must be served on the creditors residing in the Republic of Mexico, the foreign creditors whose addresses are known and who are not domiciled inside the Mexican territory, must also be notified. The judge must order that the pertinent legal steps be taken in order to notify all creditors, even those whose addresses are not known.

Such notice must be served on each foreign creditor separately, unless the judge believes that some other form of notification may be more adequate in the circumstances. No letters rogatory or any similar formality shall be necessary.

If foreign creditors must be notified of the commencement of a proceeding, the notification in addition must:

I. Set a forty five-calendar-day term to file the credits and indicate the place where such filing must be made;

II. State whether the creditors with secured credits must file such credits; and

III. Include such other information as may be necessary for the notification pursuant to the Mexican laws and the judge's resolutions.

Chapter III

Recognition of a Foreign Proceeding and

Remedies that can be Granted

Article 292. The Foreign Representative may request the judge to recognize the Foreign Proceeding in which he was appointed as such.

All recognition applications must be filed together with:

I. A copy certified by the foreign court of the resolution which declared commenced the Foreign Proceeding and whereby the Foreign Representative was appointed;

II. A certificate issued by the Foreign Court that establishes the existence of the Foreign Proceeding and the appointment of the Foreign Representative; or

III. In the absence of any evidence pursuant to Sections I and II, together with any other evidence admissible by the judge of the existence of the Foreign Proceeding and the appointment of the Foreign Representative.

All recognition applications must be filed together with an affidavit that duly indicates the data of all Foreign Proceedings commenced in connection with the Merchant, or of which the Foreign Representative may be aware.

The judge must demand that any documents filed in a language other than the Spanish language in support of a recognition application be accompanied with its translation into Spanish.

Likewise, the Merchant's address at which he must be summoned with the application must be stated. The proceeding will be processed as an ancillary proceeding between the Foreign Representative and the Merchant, with the participation, as proper, of the inspector, the conciliator or the receiver.

Article 293. Whenever the recognition of a Foreign Proceeding is applied for with respect of a Merchant having an establishment in Mexico, the provisions of Chapter IV of Title First of this Act must be observed, including the provisions regarding the ordering of the preventive remedies.

The judgment to which Article 43 of this Act refers will contain, in addition, the declaration that the Foreign Proceeding or Proceedings involved are recognized.

The business reorganization will be governed by the provisions of this Act.

Article 294. If the Merchant does not have an establishment in the Republic, the proceeding will be followed between the Foreign Representative and the Merchant.

The proceeding will be processed following the provisions set by Title Tenth of this Act in connection with ancillary proceedings. The person applying for the recognition must indicate the Merchant's service of process purposes.

Article 295. If the resolution or the certificate to which Article 291, Section I, of this Act refers, states that the Foreign Proceeding is a proceeding of those listed in Article 279, Section I, of this Act, and that the Foreign Representative is a person or a body pursuant to Article 279, Section IV, of this Act, the judge shall presume such situations.

The judge shall be authorized to presume that any documents submitted to him in support of a recognition application are genuine, whether or not they are legalized.

Unless otherwise proven, it shall be presumed that the Merchant's corporate domicile or usual residence, in the case of a natural person, is his main place of business.

Article 296. Except for the provisions of Article 281 of this Act, the recognition of a Foreign Proceeding will be granted if:

- I. The Foreign Proceeding is a proceeding in the terms of Article 279, Section I, of this Act;
- II. The Foreign Representative that applies for the recognition is a person or a body in the terms of Article 279, Section IV;
- III. The application meets the requirements of Articles 292, 293 and 294 of this Act, as the case may be, and
- IV. The application was filed with the competent court.

The Foreign Proceeding will be recognized:

- I. As the Principal Foreign Proceeding if it is being processed in the State where the Merchant has his principal place of business; or
- II. As the Non-Principal Foreign Proceeding, if the Merchant has an establishment in the terms of Article 279, Section VI, of this Act, in the territory of the State of the foreign venue.

Article 297. Beginning the moment that a Foreign Proceeding recognition application is filed, the Foreign Representative will forthwith advise the judge:

- I. Of any major change in the status of the recognized Foreign Proceeding or in the appointment of the Foreign Representative; and
- II. Of any other Foreign Proceeding which is being pursued in connection with the same Merchant and which the Foreign Representative may be aware.

Article 298. From the filing of a recognition application to the moment that said application is resolved, the judge may, upon request of the inspector, the conciliator or the receiver, who shall act on behalf of the Foreign Representative and whenever such measures may be necessary and urgent to protect the Merchant's properties or the interests of the creditors, grant preventive remedies, such as but not limited to the following:

- I. To suspend any execution action against the Merchant's properties;
- II. That the person appointed by the Institute may appoint the administrator or manager of all or a part of the Merchant's properties located in the Mexican territory, in order to protect and preserve the value of any goods which, due to their nature or concomitant circumstances, may be perishable, subject to depreciation or otherwise threatened, and said appointee may be the Foreign Representative; and
- III. To apply any of the remedies provided for in Article 300, first paragraph, Sections III, IV and VI, of this Act.

In order to adopt the preventive remedies to which this Article refers, the provisions of this Act regarding preventive remedies must be observed where proper.

Unless extended pursuant to Article 300, first paragraph, Section V, of this Act, the remedies granted pursuant to this Article shall have no effects upon a resolution being issued in connection with the recognition application.

The judge may refuse any remedy provided for in this Article if such remedy may affect the pursuit of a Principal Foreign Proceeding.

If the Merchant has an establishment in the Republic of Mexico, it must demand the recognition of the involved Foreign Proceeding in order to request the remedies to which this Article refers.

Article 299. Beginning the recognition of a Principal Foreign Proceeding:

- I. Any enforcement action against the Merchant's properties will be suspended; and
- II. The right to transfer or encumber the Merchant's properties and to dispose otherwise of such properties will be suspended.

The scope, modification and extinction of the paralyzing and suspension effects to which the first paragraph of this Article refers shall be subject to the provisions of Chapter I of Title Third of this Act, regarding the suspension of any enforcement proceedings throughout the conciliation period.

Article 300. From the recognition of a Foreign Proceeding, if necessary to protect the Merchant's properties or the creditors' interests, the Foreign Representative may urge the inspector, the conciliator or the receiver, to request any proper remedy to the judge, including the following remedies:

- I. To suspend all enforcement actions against the Merchant's properties, to the extent that they have not been paralyzed pursuant to Article 298, first paragraph, Section I, of this Act;
- II. To suspend the exercise of the right to transfer or encumber the Merchant's properties, and to otherwise dispose of such properties, to the extent that said right has not been suspended pursuant to Article 299;
- III. To provide for the production of evidence or the supply of information regarding the Merchant's properties, businesses, rights, obligations or liabilities;
- IV. To entrust the Foreign Representative, the inspector, the conciliator or the receiver with the management or sale of all or a part of the Merchant's properties located in the national territory;
- V. To extend any provisional remedy granted in the terms of Article 298, first paragraph, of this Act; and
- VI. To grant any other remedy which, pursuant to Mexican legislation, may be granted to the inspector, the conciliator or the receiver.

Upon the recognition of a Foreign Proceeding, the Foreign Representative may urge the inspector, the conciliator or the receiver to entrust to the Foreign Representative or any other person appointed by the Institute, the distribution of all or a part of the Merchant's properties located in the national territory, provided that the judge makes sure that the interests of the creditors domiciled in Mexico are sufficiently protected.

Upon granting the remedies provided for in this Article to the representative of a Non-Principal Foreign Proceeding, the judge must make sure that the remedies thus granted refer to properties which, pursuant to the laws of Mexico, must be managed within the framework of the Non-Principal Foreign Proceeding or refer to information required under said Non-Principal Foreign Proceeding.

Article 301. Upon granting or refusing a remedy pursuant to Article 298 or 300 of this Act or upon modifying or rendering said remedy without effect based on the third paragraph of this Article, the judge must make sure that the interests of the creditors and of other interested persons, including the Merchant, are duly protected.

The judge may condition any remedy granted pursuant to Article 298 or 300 of this Act to such conditions as he may deem advisable.

Upon urging of the Foreign Representative or of any person affected by some remedy granted pursuant to said Article 298 or 300, or by operation of law, the judge may modify the remedy or render the same without effect. The processing shall be made through ancillary proceedings and with a hearing with the inspector, the conciliator or the receiver, if any.

Article 302. Upon the recognition of a Foreign Proceeding, the Foreign Representative shall be empowered to ask the inspector, conciliator or receiver to start any action to recover the properties of the Estate and to declare void any fraudulent acts against creditors to which Chapter VI of Title Third and Articles 192 and 193 of this Act refer.

Article 303. Upon the recognition of a Foreign Proceeding, the Foreign Representative may be authorized to participate in the proceedings to which Article 83 and 84 of this Act refer.

Chapter IV

Cooperation with Foreign Courts and Representatives

Article 304. In any of the matters listed in Article 278 of this Act, the judge, the inspector, the conciliator or the receiver must cooperate, in performing their duties and to the extent possible, with foreign courts and representatives.

The judge, the inspector, the conciliator or the receiver shall be empowered, in performing their duties, to get directly in touch with Foreign Courts or Representatives, without letters rogatory or other formalities being necessary.

Article 305. The cooperation to which Article 304 of this Act refers may be provided by any proper means, and especially by means of:

- I. The appointment of some person or body to act under the directions of the judge, the inspector, the conciliator or the receiver;
- II. The disclosure of information by any means that the judge, the inspector, the conciliator or the receiver may deem proper;
- III. The coordination of the management and monitoring of the Merchant's properties and businesses;
- IV. The approval or the application, by the courts, of agreement regarding the coordination of the proceedings; and
- V. The coordination of the proceedings which are being concurrently pursued in connection with the same Merchant.

Chapter V

Parallel Proceedings

Article 306. The effects of the recognition of a Principal Foreign Proceeding and the declaration of a foreign Merchant in business reorganization, with respect of the establishment located in the Republic of Mexico and the effects of a Principal Foreign Proceeding, with respect of a Merchant that only has properties within the Republic of Mexico, shall be restricted to the Merchant's establishment located in the Republic and, to the extent required in order to provide the cooperation and coordination referred to in Articles 304 and 305 of this Act, to any other of the Merchant's properties which, pursuant to the laws of Mexico, must be administered in this proceeding.

Article 307. If a Foreign Proceeding and a proceeding pursuant to this Act are being processed concurrently and in connection with the same Merchant, the judge will try to collaborate and coordinate his activities with those related to the other proceeding, pursuant to the provisions of Articles 304 and 305 of this Act, as follows:

I. If the proceeding being processed in Mexico is pending when the Foreign Proceeding recognition application is filed:

a) Any remedy granted pursuant to Article 298 or 300 must be compatible with the proceeding being pursued in Mexico; and

b) If the Foreign Proceeding is recognized in Mexico as the Principal Foreign Proceeding, Article 306 of this Act shall not apply;

II. If the proceeding being pursued in Mexico is commenced after the recognition, or after the application for recognition of the Foreign Proceeding:

a) Any remedy that may be in effect pursuant to said Article 298 or 300 shall be reexamined by the judge and either modified or revoked, if incompatible with the proceeding in Mexico; and

b) If the Foreign Proceeding was recognized as the Principal Foreign Proceeding, the paralyzing or suspension effects to which Article 298, first paragraph, of this Act refers, will be either modified or revoked pursuant to the provisions of Article 298, second paragraph, if incompatible with the proceeding being pursued in Mexico; and

III. Upon granting, extending or modifying a remedy granted to the representative of a Non-Principal Foreign Proceeding, the judge must make sure that said remedy affects properties which, pursuant to the laws of Mexico, must be administered in the Non-Principal Foreign Proceeding, or refers to information required for such proceeding.

Article 308. In the events contemplated in Article 298, if more than one Foreign Proceeding is being pursued in connection with the same Merchant, the judge will try that cooperation and coordination be provided pursuant to Articles 304 and 305 of this Act, and the following rules shall apply:

I. Any remedy granted pursuant to said Article 298 or 300 to the representative of a Non-Principal Foreign Proceeding, once a Principal Foreign Proceeding has been recognized, must be compatible with the latter;

II. When a Principal Foreign Proceeding is recognized after the recognition or after the filing of an application for recognition of a Non-Principal Foreign Proceeding, any remedy in effect pursuant to said Article 298 or 300 must be reexamined by the judge and modified or rendered without effects if incompatible with the Principal Foreign Proceeding; and

III. If, once a Non-Principal Foreign Proceeding has been recognized, another Non-Principal Foreign Proceeding is recognized, the judge must grant, modify or render without effects any remedy that may be ordered to facilitate the coordination of the proceedings.

Article 309. Unless otherwise proven, the recognition of a Principal Foreign Proceeding shall presume that the Merchant has generally defaulted his obligations for the purposes of the commencement of the proceeding pursuant to this Act.

Article 310. Without prejudice of the rights of the holders of credits having a special privilege, a collateral or rights *in rem*, a creditor that received a partial collection with respect of his credit in a proceeding being pursued in a foreign State, pursuant to an insolvency statute, may not receive a new dividend for the same credit in an insolvency proceeding being pursued under this Act in connection with the same Merchant, to the extent that the dividend received by the other creditors of the same rank are proportionally lower than the collection received by the creditor.

TITLE THIRTEENTH

Federal Business Reorganization Specialists Institute

Chapter I

Nature and Authority

Article 311. The Federal Business Reorganization Specialists Institute is created as an auxiliary body of the Federal Judicature Council [**Consejo de la Judicatura Federal**], with technical and operating autonomy, with the following authority:

I. To authorize the registration in the corresponding register of those who prove to meet the necessary requirements to perform duties as inspectors, conciliators and receivers in business reorganization proceedings;

II. To create and carry the inspector, conciliator and receiver registers;

III. To revoke, where proper pursuant to this Act, the authorization to act as inspector, conciliator and receiver in business reorganization proceedings;

IV. To appoint, from among the persons registered in the corresponding registers, the persons who will act as inspector, conciliator and receiver in each business reorganization proceeding;

V. To establish, by means of general rules, the random procedures to appoint inspectors, conciliators or receivers;

VI. To draw up and apply the public selection and updating procedures for the authorization of inspector, conciliator or receiver, and to publish the corresponding requirements previously on the *Official Gazette of the Federation*;

VII. To establish the system applicable to the compensation of the inspectors, conciliators and receivers, for the services that they provide in the business reorganization proceedings;

VIII. To monitor the services provided by the inspectors, conciliators and receivers in business reorganization proceedings;

IX. To promote the training and updating of the inspectors, conciliators and receivers registered in the corresponding registers;

X. To make and support analyses, studies and researches related to its duties;

XI. To make public its duties, objectives and procedures, and any provisions it issues pursuant to this Act;

XII. To draw up and disclose business reorganization-related statistics;

XIII. To issue such general rules as may be necessary to exercise the authority listed in Sections IV, V, VII and XI of this Article;

XIV. To report to the Federal Congress on the performance of its duties, every six months; and

XV. The other authority granted to it by this Act.

Article 312. The Merchant facing economic or financial problems may resort to the Institute in order to choose a conciliator from among those registered in the Institute's register, to ask him to act as amicable compounder between him and his creditors. Any creditor having a due and unpaid credit may also resort to the Institute to report such situation and to request the list of conciliators.

The Institute must advise the applicant in writing, within fifteen calendar days following the date of the corresponding application, the list to which the preceding paragraph refers. The conciliator's fees shall be paid by the applicant.

Under no circumstances will the Institute be liable for any acts carried out by the conciliator chosen by the Merchant or any creditor, as the case may be.

Chapter II

Organization

Article 313. The Institute will be governed by a Board of Governors [**Junta Directiva**], which will have such administrative structure of support as it may determine pursuant to the authorized budget.

Article 314. The Board of Governors will be formed by the Institute's General Director and four members appointed by the Federal Judicature Council, upon its President's motion; the appointments shall be made with a multidiscipline membership in mind, and the Board members must be experts in the fields of administration, accounting, economics, finance and law.

Article 315. The Institute's General Director shall hold office for six years; the members will hold office for eight years; the members will be staggered and may be appointed for more than one term of office.

Article 316. The members of the Board of Governors must meet the following requirements:

- I. They must be Mexican nationals in full exercise of their rights;
- II. They must be renowned for their honesty;
- III. They must have held, for at least seven years, administrative, accounting, economic, financial or legal high-ranking positions in connection with this Act or else must have provided advisory, teaching or research services;
- IV. They must not have been convicted of any willful offense calling for bodily punishment, or disqualified to hold any job, position or office in the public administration or the financial system or to engage in trade;
- V. They must not be the spouse, female or male concubine or be a relative by blood to the fourth degree or relative by affinity to the second degree or a relative by marriage of any other member of the Board of Governors; and
- VI. Have no lawsuit pending against the Institute.

Article 317. The vacancy in the position of any governor of the Board of Governors will be filled in by a new appointment pursuant to the provisions of Article 314 of this Act. If the vacancy takes place before the end of the respective incumbency, the person designated to fill such vacancy will hold office for the rest of the predecessor's incumbency.

Article 318. The members of the Board of Governors may only be removed in any of the following events:

- I. In the event of default of his duties or negligence in performing the same;

II. The mental or physical disability that prevents the proper exercise of his duties for over six months;

III. In the event of holding a job, position or office other than those mentioned in Article 320 of this Act;

IV. In the event that he is no longer a Mexican citizen or no longer meets any of the requirements set in Article 316, Section IV, of this Act;

V. Not fulfilling the resolutions of the Board of Governors or deliberately abusing his authority or not exercising his full authority;

VI. Using, to his own or third party's benefit, the confidential information made available to him by virtue of his position or disclosing such confidential information without the Board of Governors' authorization;

VII. To knowingly submit false information to the Board of Governors; and

VIII. To be absent from his duties for over five days without the Board of Governors' authorization or not due to force majeure or with cause. The Board of Governors may not authorize leaves of absence for over three consecutive months or for over three months in one calendar year.

Article 319. The Federal Judicature Council must decide on the existence of an event of removal mentioned in Article 320 and may do so upon request of at least two of the members of the Institute's Board of Governors.

Article 320. The members of the Board of Governors may not during their incumbency accept or carry out any other job, position or office, other than teaching jobs or jobs in public or private welfare institutions for which they are not paid.

Article 321. The Board of Governors has the following authorities, which it cannot delegate:

I. To issue the general rules to which this Act refers;

II. To approve the Institute's basic administrative structures and the seats of its regional offices, if any;

III. To approve the organization and procedure manuals and the Institute's internal regulations;

IV. To evaluate periodically the Institute's activities;

V. To demand such information as may be necessary from the Institute's General Director in order to carry out its evaluation activities;

VI. To appoint the Board of Governors' Secretary from among the Institute's highest ranking public servants according to the Institute's internal regulations; and

VIII. To resolve such other issues as the Institute's General Director or any member of the Board of Governors believes should be approved by the Board.

Article 322. The regular Board of Governors' meetings will be held at least once every quarter, but the Institute's General Director may call meetings or two members of the Board of Governors may request the Institute's General Director to call general meetings, whenever holding them may be necessary.

Article 323. The Board of Governors will validly meet with the participation of at least three of its members. The resolutions shall be passed by a majority vote of the members present at the meetings and the Institute's General Director shall cast the tie-breaking vote.

Article 324. The Institute's General Director shall have the following authority:

- I. To run the Institute;
- II. To represent the Institute;
- III. To comply with and enforce the resolutions of the Board of Governors and to publish them whenever so doing may be proper;
- IV. To appoint the Institute's staff;
- V. To submit to the Board of Governors' approval the proposal for the Institute's basic administrative structure, and the establishment and the seats of the regional offices;
- VI. To submit to the Board of Governors, for consideration, any programs and the Institute's organization and operation guidelines; and
- VII. Such other authority as may be conferred upon him by this Act and other laws.

Chapter III

Inspectors, Conciliators and Receivers

Article 325. Anyone interested in being an inspector, conciliator or receiver in business reorganization proceedings must ask the Institute to register him in the respective register, pursuant to the provisions of this Chapter.

Article 326. In order to be registered as inspector, conciliator or receiver, the persons so interested must file their application in writing with the Institute, with the documents that establish fulfillment of the following requirements:

- I. That they have had at least five years' experience in business administration, financial advisory services, legal or accounting activities;
- II. That they do not hold any job, position or office in the public administration or are part of the Federal, State or Municipal Legislative or Judicial Branch;
- III. That they are renowned for their honesty;
- IV. They must comply with the selection procedures applied to him to them by the Institute, as well as the updating procedures determined by the Institute; and
- V. They must not have been convicted, by a final and conclusive judgment, of any willful offense calling for bodily punishment, or disqualified to hold any job, position or office in the public service or the financial system or to engage in trade.

Those who meet the aforesaid requirements will be registered by the Institute in the inspectors, conciliators or receivers registers, upon payment of the corresponding duties.

Article 327. The inspectors, conciliators or receivers must guarantee their performance in each business reorganization proceeding for which they are appointed, by posting the guaranty determine by the Institute, through general rules.

Article 328. Anyone in any of the following events may not be inspector, conciliator or receiver in a business reorganization proceeding:

I. The spouse, female or male concubine or blood relative within the fourth degree or within the second degree by affinity, of the Merchant under business reorganization, of any of his creditors or of the judge hearing the proceeding;

II. The spouse, female or male concubine or fourth degree relative by blood or second degree relative by affinity, of the members of the managing bodies, if the Merchant is a legal entity, or of any stockholders who are liable without limitation;

III. The lawyer, attorney in fact or authorized person of the Merchant or of any of its creditors, in any pending lawsuit;

IV. To have or have had in the six months immediately preceding his appointment, a labor relation with the Merchant or any of the creditors, or to render or have rendered, during the same period, independent professional services, whenever such services imply subordination;

V. To be a stockholder, lessor or lessee of the Merchant or of any of his creditors, in the proceeding to which he is appointed; or

VI. To have a direct or indirect interest in the business reorganization or to be a close friend or an open enemy of the Merchant or any of its creditors.

The incompatibility mentioned in Section VI will not be subject to judicial interpretation.

Article 329. The inspectors, conciliators or receivers falling in any of the events mentioned in the preceding Article shall excuse themselves; otherwise, they will be subject to the administrative penalties that may apply pursuant to this Act and to the sanctions thereunto determined by the Institute. The foregoing, without prejudice of the fact that the judge hearing the proceeding, or the Merchant or any creditor or conservator through the judge, may ask the Institute to replace the involved party from his position, the moment that they become aware of that fact, independently of the penal liability to which the involved inspectors, conciliators or receivers may be subject.

Article 330. In the event that after the proceeding has being commenced a supervenient impediment should occur, the inspector, conciliator or receiver must report the same immediately to the Institute, otherwise the penalties mentioned in the preceding Article shall apply.

In any event, the inspector, the conciliator or the receiver falling in the event mentioned in the preceding paragraph must hold office until his successor, if any, is appointed, to whom he must deliver the information and documents to which he may have had access as well as the Merchant's properties that he had in his possession by virtue of his duties.

Article 331. The inspector, conciliator and receiver may only be excused from their appointments whenever they may be a legal impediment or there is a sufficient cause in the Institute's opinion, which shall immediately decide in order to avoid impairing the reorganization proceeding.

Article 332. The following are the duties of the inspector, conciliator and receiver:

I. To perform with honesty and diligence the duties entrusted to them by this Act, in the terms held by the Act;

II. To monitor and oversee the proper performance of the persons that assist them in performing their duties;

III. To carry out the procedural records required of them by this Act, in a clear and orderly fashion, and to make available to any interested creditor and the Merchant such information as may be relevant for their preparation, at the expense of the creditor that requested the application in writing;

IV. To render to the judge an account of their performance, as often as required by this Act;

V. To keep confidential the industrial secrets, procedures, patents and trademarks, of which they may be aware by virtue of their performance, as provided in the applicable industrial and intellectual legislation, as well as the sense of the procedural records that it must carry pursuant to this Act;

VI. To abstain from disclosing or using to their own benefit or the benefit of third parties, the information that they may acquire by virtue of their duties;

VII. To give the Institute all kinds of facilities for the inspection and monitoring of the performance of their duties;

VIII. To comply with the general guidelines issued by the Institute; and

IX. To comply with the other duties set by this Act or other laws.

Article 333. The inspector, conciliator and receiver and their assistants shall be entitled to be paid fees for performing the duties entrusted to them by this Act. The system applicable to the fees will be determined by the Institute through general rules, as follows:

I. They will be paid out of the Estate and will be regarded credits against the same;

II. They will be paid as determined by the Institute; and

III. They will be consistent with the labor market conditions and tend to cause the registration of eligible persons duly qualified to perform their duties, in the register to which the next Chapter refers.

In any event, the conciliator's and the receiver's remuneration must be related to their performance.

Chapter IV

Inspectors, Conciliators and Receivers Register

Article 334. The Institute shall carry an updated register of inspectors, conciliators and receivers, to be differentiated on the basis of the categories thereunto determined by means of general guidelines.

Only the persons who are registered in the corresponding register, except for the provisions of Articles 147 and 174 of this Act, may act as inspectors, conciliators or receivers.

Article 335. The appointment of inspectors, conciliators and receivers for business reorganization proceedings shall be made by means of the random procedures determined by the Institute through general guidelines.

Article 336. The Institute may impose on the inspectors, conciliators and receivers, as an administrative penalty depending on the gravity of their breach of the provisions of this Act, a warning, the temporary suspension or the cancellation of their registration.

Article 337. The Institute may determine the cancellation of the inspectors', conciliators' or receivers' registration if:

I. They do not properly perform their duties;

II. They do not comply with any of the updating proceedings applied by the Institute;

III. They are convicted, by means of a final and conclusive judgment, for a willful offense calling for bodily punishment, or they are disqualified to hold any job, position or office in the public service and the financial system or to engage in trade;

IV. They hold a job, position or office in the public administration or are a part of the federal, state or municipal Legislative or Judicial Branch;

V. They refuse to perform the duties assigned to them by this Act in any business reorganization to which they may have been appointed, without cause in the Institute's opinion; or

VI. They may have been convicted, by means of a final and conclusive judgment, to the payment of damages and losses as a result of some business reorganization to which they may have been appointed.

Article 338. The Institute's Board of Governors will decide on the warning, the temporary suspension or the cancellation of the inspectors', conciliators' and receivers' registration, and will grant the involved party the right to a hearing. The resolution of the Board of Governors will be unappealable.

TRANSITORY ARTICLES

FIRST. This Act will take effect the day following its publication on the *Official Gazette of the Federation*.

SECOND. The Bankruptcy and Payment Suspension Law [**Ley de Quiebras y de Suspensión de Pagos**] published on the *Official Gazette of the Federation* on April 20, 1943 is repealed, and all other legal provisions which are inconsistent with the provisions of this Act are repealed or amended.

THIRD. Any references made by other laws and provisions to the bankruptcy and suspension of payments status or proceedings shall be regarded as references to business reorganization.

FOURTH. Any public state-owned entities not incorporated as business corporations may not be declared in business reorganization.

Insurance institutions and mutual companies, bonding institutions, reinsurance institutions and rebonding institutions will be governed by their special laws.

FIFTH. Any bankruptcy and suspension of payment proceedings that were commenced prior to the effective date of this Act shall still be governed by the provisions of the Bankruptcy and Suspension of Payments Law published on the *Official Gazette of the Federation* on April 20, 1943.

SIXTH. Within thirty calendar days following the effective date of this Act, the Institute must be formed and within sixty calendar days following its formation, the institute must issue the regulating provisions referred to in this Act.

If any application or demand for the declaration of business reorganization of a Merchant is filed without complying with the provisions of the first paragraph of this Article, such application or demand shall be stayed until the Institute formation has been concluded and the corresponding regulations have been issued.

SEVENTH. The members of the Institute's Board of Governors will be appointed within thirty calendar days following the effective date of this Act. The Board of Governors must be operating within five calendar days following the appointment of its members.

The first General Director of the Institute will hold office until December 31st, 2003. The incumbencies of the first four members will end on December 31st, 2000, 2002, 2004 and 2006, respectively.

EIGHTH. The provisions of Article 87 will be applied only to any provisions included in contracts executed after the effective date of this Act.

NINTH. Within five years following its effective date, this Act shall not apply to any Merchants who, as of the effective date of this Act, have liabilities that, computed as the sum of the face value of each credit as of the date on which it was assumed, does not exceed the equivalent of 500,000 UDIs, unless they voluntarily agree in writing to submit to this Act.