

Deloitte. Financial Advisory Services in Mexico

We are the global hub for Restructuring and Reorganization services in Latin America



Deloitte Mexico has Professionals with solid experience in different fields, providing a multidisciplinary approach to our projects.

We offer a one shops solution for all your restructuring and liquidation needs. Our unique approach provides integrated financial solutions to our customers by combining different knowledge and industry expertise from all our market offering encompassing every aspect involved.

Restructuring and Reorganization Services

What we deliver

Knowledgeable, Experienced, Bicultural and Bilingual Professionals

- In-depth knowledge of ReOrg processes
- A tailored approach focused on critical risks
- Timely recognition and resolution of deal issues
- Technical expertise
- High level of partner involvement
- Global access to industry and related service specialists

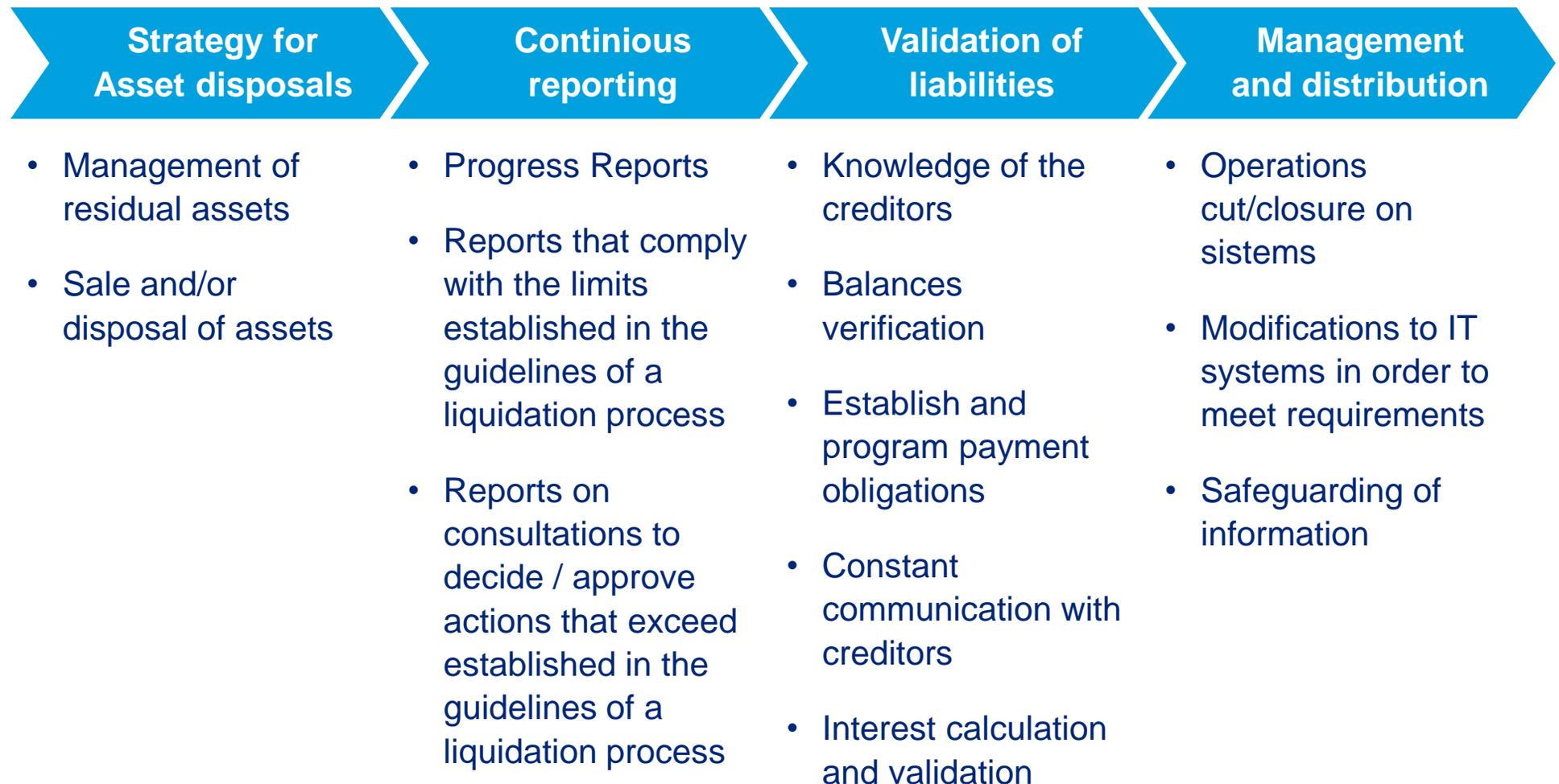
Track Record of Delivering On Our Commitments

- Quick responsiveness (can begin a project immediately)
- Complex, sensitive assignments delivered on tight deadlines
- Fact-based answers; independent, objective advice
- Real-time solutions tailored to your needs

Analysis of a liquidation process

Liquidation model

The model used by Deloitte, as a tool for planning of the activities to be performed, is effective anticipating potential problems and determining the best solution based on a cost and benefit analysis. The model is as follows:



Analysis of a liquidation process

Concept of liquidation

Concept

- Consequence of the dissolution of a society which aims to conclude the pending corporate transactions, materialize the outstanding assets, pay the liabilities of the Company and distribute the remainder, if any, between the partners.

Legal framework

- Ley General de Sociedades Mercantiles

Participant figure

- The Liquidator, which its functions and faculties are the following:
 - i. In charge of the liquidation of the Company,
 - ii. Once the Company is dissolved, he establishes himself as a Legal Representative,
 - iii. Will be liable for the acts performed in excess of the established limits,
 - iv. Unless otherwise agreed by the partners or provisions in the bylaws, the Liquidator shall have the following powers:
 - a. Complete the pending corporate transactions outstanding at the time of dissolution;
 - b. Collect what is owed to the Company and pay what the Company owes;

Analysis of a liquidation process

Concept of liquidation (cont.)

Participan figure (cont.)

- c. Sell the remainder assets of the Company,
- d. Pay to each Partner its corresponding part of the social equity;
- e. Prepare the Final Liquidation Balance Statement;
- f. Get from the Public Registry of Commerce the cancellation of the Company's social contract, once the liquidation has come to an end;
- g. Keep on safeguard for ten years after the liquidation conclusion all the books and working papers of the Company.

Analysis of a liquidation process

Liquidation procedures

In general terms, the procedure for the liquidation of a Company can be summarized in the following points:

- I. Determining the cause of dissolution of the Company , that in accordance with Article 229 of the LGSM may be any of the following :
 - Expiration of the term established in the social object of the society;
 - Due to the impossibility of continuing to perform the social object or it was accomplished;
 - By agreement of the partners taken in accordance with the social contract and the law;
 - Because the number of shareholders is less than the minimum established by law , or because the parties in interest team to be single legal person;
 - For the loss of two-thirds of the equity.

- II. Celebrate an Extraordinary General Meeting of Shareholders, which must resolve, among others, the following matters:
 - The dissolution of the Company resulting from the dissolution assumptions referred to in paragraph above;
 - The liquidation of the Company, noting, if appropriate, the applicable statutory provisions or those shown in Chapter XI of the LGSM;
 - Appointment of the Liquidator of the Company;
 - Revocation of all powers, general or special, awarded by the Company;
 - Designation of special delegates so they can formalize the corresponding Minute and conduct its registration in the Public Registry of Commerce.

Analysis of a liquidation process

Liquidation procedures (cont.)

- III. Perform an inventory on all the assets once the appointment of liquidators has been registered in the Public Registry of Commerce and the Administrators of the Company have made available to the liquidators all assets, books and records.
- IV. Publication of the resolution settlement.
- V. Perform the liquidation of the Company by:
 - The conclusion of current operations;
 - Collecting what is owed to the Company and paying what it should be due;
 - Sale of assets of the Company;
 - Settlement in the equity of each partner;
 - Preparation of Final Liquidation Balance Statement,
 - Cancellation of the registration of the Company in the Public Registry of Commerce.
- VI. It should be mentioned that before the end of the liquidation process, partners may require the Liquidator to deliver part of the equity they are entitled for, in this case the agreement must be published three times in an official newspaper in the locality where the Company is located with the purpose of providing an opportunity for creditors to object to such delivery in case their rights may be affected.

Analysis of a liquidation process

Liquidation procedures (cont.)

VII. Preparation of a Final Liquidation Balance Statement

Once the balance is reviewed, we will proceed to register it in the Public Registry of Commerce that corresponds to the registered address of the society and will publish the same balance three times, every ten days, in the official newspaper, to the effect that during this time the balance itself, and all the papers and books of the society should remain available to the shareholders, who have a period of fifteen days from the last publication to present claims they deem appropriate to the liquidators.

VIII. Once the deadline for claims has passed, an Extraordinary General Meeting of Shareholders shall take place, which shall be convened and chaired by the liquidator(s), to decide on the definitive approval of the final balance, which must be carried out under the following terms:

- Approval of the Final Liquidation Balance Statement of the Company submitted to the shareholders and publications thereof made;
- Approval of the liquidation of the Company and the management or the liquidators and shall, when appropriate, provide the broader settlement applicable by law;
- Authorization of registration cancellation of the social contract with the Public Registry of Commerce;

Analysis of a liquidation process

Liquidation procedures (cont.)

- Authorization to perform the formalization of the minute of the Assembly and to process the registration of the minute together with the Final Liquidation Balance of the Company in the Public Registry of Commerce, and to present all kinds of warning statements to any kind of authority required. Make available to the liquidator(s) all books and documents of the Company;;
- IX. Pay pro-rata subordinated loans;
- X. In the event that there is a surplus, the liquidator must pay shareholders the amounts allocated to them in accordance with the provisions of the Final Liquidation Balance upon delivery of their share certificates.

Analysis of a Liquidation Process

Obligations of financial nature

As for the financial, labor and tax obligations that must be attended by a Liquidator in accordance with best practices, the following are recommended:

Financial obligations:

- Work with each area that will participate in the delivery of the Company to the liquidator, from the first day that the settlement is decided.
- Implement collegiate groups strictly necessary to assist the liquidation process.
- Request Audited Financial Statements for the period prior to the liquidation.
- Develop an initial Balance Statement.
- Debug Balance Statements.
- Check the performing of provisional tax payments for the liquidation period.
- Add immediately after the name of the Company in its financial statements , and from the first year of settlement , the words " in liquidation" .
- Appoint an external financial statements auditor, for interim and annual financial periods, administered by the liquidator during the liquidation process .
- Elaborate estimations in Updated Equity Profit Accounts (CUCA) and Net Tax Profit Account (CUFIN) , as determined Income Tax law, for the remainder to be distributed to shareholders.
- Elaborate a Balance Statement for the last period of assessment .
- Final report on the Balance Statement to liquidate the part corresponding to each partner of the Company.
- Develop accounting closing record.
- Cancel the accounting in the IT system of the Company.

Analysis of a liquidation process

Labor and Tax Obligations

Labor Obligations:

- Develop a list of procedural status of labor contingencies of the Company..
- Formalize the employment status through time established liquidations and based on the minute of the extraordinary general meeting of the Company's liquidation.
- Submit to SAT (Federal Tax Administration), IMSS, and if so, Conciliation and Arbitration, the corresponding notices of labor settlements.

Tax Obligations:

- Conclude with the liquidation process in no more than 2 years to benefit the Company with the tax exemption that actually exists, otherwise, all items would be taxed from the liquidation starting date and on.
- Submit notice of tax statutory report to the SAT, for the period preceding the liquidation beginning.
- Submit to the statutory tax report to the SAT for the immediate period preceding the liquidation beginning.
- Submit to SAT the tax return for the immediate period preceding the liquidation beginning.
- Submit to the SAT the tax refund request in favor of the Company (Income Tax and VAT), when applicable.
- Liquidation process startup notice presented to the SAT

Analysis of a liquidation process

Labor and Tax Obligations (cont.)

Tax obligations (cont.):

- Submit notice of tax statutory report before the SAT, every year, during the liquidation process.
- Submit tax statutory report before the SAT, every year, during the liquidation process.
- Submit to SAT the final tax return statement for the last year of the liquidation.
- Arrange cancellation of accounting computer system with SAT.
- Cancellation notice of the R.F.C. (Company ID tax number) (R-1 format) before SAT.

The Tax Code of the Federation in its Article no. 32 establishes the obligation to certain taxpayers to audit their financial statements, stating in Article 46 of its Regulations that the statutory tax report must be made in fiscal years, noting that:

“... must submit notice to the competent tax authorities within four or three months following the termination date of its fiscal year, as is the case for single (natural) or legal persons, including the following rules:

- I. The notice must be signed by both the taxpayer and the public accountant who will rule.
- II. The opinion on the financial statements will be for the last fiscal year.”

The Tax Code in its second paragraph of Article 11 states that :

“... shall be considered to be an irregular period all the time when the Company is in liquidation.”

Estimated fees

Our fee estimate is based on the time we consider it will take us to complete our work

The following table shows our best estimate of the fees that will be incurred by us during the performing of our services:

Estimated fees	US\$
Financial and accounting liquidation	15,000
Tax liquidation activities	5,000
Total estimated fees (1)	20,000

Our fees are impacted by project specific variables including: complexity of the Company; initial and on-going requested scope of services; quality and quantity of Company information; cooperation of Company management;; and the level of report desired in which to communicate our activities.

Our ReOrg Services fees are based on hours incurred at hourly rates assigned to each professional. Our dedicated ReOrg Services group consists of highly experienced partners, directors, senior managers and managers.

Out-of-pocket expenses incurred by our staff while executing the work, will be billed separately.

In the event that background checks are required, the price is USD\$4,000.00. The background check will help us to identify any active lawsuits and real state properties, with an approximated time between two and three weeks. In addition, we will charge you an amount of USD\$200.00 per company corresponding to the expenses we are going to incur in this issue.

(1) Considers that the Company to be liquidated only holds Cash and similars in its Balance Statements.

Scope of work

Financial and accounting liquidation activities

Deloitte will provide the following financial advisory services:

General

Deloitte will perform as Trustee in the liquidation process of the Company; some of the activities to be done are:

- Record of information received;
- Inventory of the Company's assets (if applicable);
- Financial and accounting review of the provisional liquidation balances prepared by the Company;
- Review of legal, tax and operating issues of the Company in order to identify contingencies for it, which should be reflected in financial information;
- Preparing the final liquidation balance statement;
- Monitoring of financial, tax and legal processes until the conclusion thereof, to declare once complete the liquidation of the Company

In order to know if the Subsidiaries have any active legal issues we will perform a background check for each Company.

Scope of work

Tax liquidation activities

Deloitte will provide the following advisory services:

General

- A) Analysis of the tax consequences arising from the liquidation, including the review of the tax accounts for equity distribution purposes (CUFIN and CUCA).

- B) Elaboration of tax returns (annual return as of the date the liquidation starts and final liquidation return) and tax notices.

Restructuring and Reorganization Services

Project leader



Gerardo Ortiz
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Gerardo is a Partner in Financial Advisory Services in Mexico, Leader of Reorganization and Restructure Services area, with over than 13 years of experience. He has participated in a great variety of international assignments, specifically in the Financial Sector and in Companies of the Public Sector.

Gerardo has been involved in different due diligences, audits, internal controls reviews. At the time, leads the liquidation and bankruptcy of seven banks in Mexico, acting as the IPAB's Liquidator Representative. Within these seven banks, Gerardo and his administer team are managing more than 40 billion pesos of assets.

Gerardo is an accountant graduated by the Universidad del Valle de México.

As a reward for he's dedication and experience, Gerardo worked in the Deloitte's office in Canada within the area of Reorganization and Restructures, where he was involved in several projects for the Financial Sector in Mexico, Canada and Ecuador.

Reorganization and Restructuring Services

Other Services

- Deloitte provides services to underperforming companies and their stakeholders through our Reorganization Services group. We work throughout the world with our corporate clients, their shareholders and lenders to maximize recoveries. Our products range from formal, court-appointed insolvency work to financial restructuring, turnaround and innovative consulting solutions.
- The following circumstances might turn into problems that could be determinant to immediate help
- The profits expectations are not achieved
- The cash flow is limited and the operational losses persist
- The Company's viability and sustainability in mid and long term is uncertain
- The relationships with suppliers and clients are deteriorating day after day
- Our services include:
 - **Management and optimization of working capital:** Our team of professionals can help you free up cash, reduce financing requirements, improve cash flow visibility and asset utilization, and advise in negotiations with key creditors. We seek to strengthen existing controls and processes, leveraging the expertise of specialists from various industries, as well as other strategic areas such as tax and real estate management, among others
 - **Business financial Diagnosis:** A diagnosis is a useful tool in a scenario where your Company's performance appeared stable, but at the same time is stuck without being able to realize substantial improvements in its results, particularly in relation to its competitors. We can assist you in planning and implementing improvements in revenue generation and collection of margins, as well as identifying opportunities to reduce costs throughout the organization

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