



MIJARES ANGOITIA
CORTES Y FUENTES

COMMERCIAL BANKRUPTCY



March 30, 2020

Given the uncertainty around (i) the coronavirus contingencies and implications; and (ii) the global economic situation; the Mexican insolvency procedure in its conciliation stage confers companies in dire financial circumstances the following benefits:

- It suspends the payment of debts incurred by the Merchant before the declaration of its commercial bankruptcy, except those that are indispensable for the company's ordinary operation; including any credit that is indispensable to maintain the company's regular operation and the necessary liquidity during the processing of the commercial bankruptcy.
- It suspends any seizure or execution order against the property or rights of the Merchant.
- The Merchant continues operating the company and has to fulfill those contracts necessary for its operation. However, the Merchant must inform the judge about the payment of any indispensable credit within 72 hours.
- The conciliator may object to the Merchant's performance of contracts which are not necessary for the continuation of its ordinary business.
- The Merchant may offset certain obligations at its expense and rights in its favor.
- New credits may be acquired if they are indispensable for the ordinary operation of the company and provide it with the necessary liquidity.
- Unsecured credits will cease to bear interest and will convert to units of investment (UDIs), including those initially denominated in foreign currency.
- Secured credits will retain their denomination but will only bear ordinary interest not enforceable during the conciliation, up to the value of the security.

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- The Merchant may sign an insolvency agreement and enforce the removals and waivers it agrees to with unsecured creditors representing a certain percentage of its debts to creditors of that degree who do not sign the agreement.
- The tax authority has the power to grant tax write-offs.

For any additional information please contact:

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