

Keep your corporate records up-to-date and comply with yearly legal obligations



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Dear Clients and Friends,

By these means I wish to distract your kind attention, in order bring to you attention a few considerations regarding the proper corporate maintenance for a Mexican legal entity.

In light of the above, below you will find the principal action that such entities must consider on a yearly basis in order to avoid irregularities with regard to operations and that might bring as consequence direct violation of our laws.

ANNUAL GENERAL ORDINARY SHAREHOLDERS MEETING

As it is of your knowledge article 181 of the General Law for Mercantile Entities, establishes the obligation to execute at least, once a year, a General Shareholders Meeting, same to be held within the first four after the conclusion of the fiscal year, the mentioned legislation provides that such meeting must the cover the following points:

- Discuss, approve or modify the report submitted by the administrators.
- If such is the case, appoint the administrator or the board of directors, and the statutory commissioners; and

- Determine the fees for of the administrators and commissioners.

In addition it is important to mention, that the referred meeting may be utilized to issue resolutions of pending items that you wish to update, such as granting and/or revoking of powers of attorney.

UPDATING AND/OR REGULARIZATION OF CORPORATE REGISTRY BOOKS AND ISSUANCE OF SHARE OR PARTICIPATION CERTIFICATES

In regards to this item, the General Law for Mercantile Entities and the Commerce Code provides that mercantile entities must maintain the corporate registry books necessary for its legal operation, which consist in: (i) Shareholders or Partners Registry Book; (ii) Shareholders or Partners Meetings Minutes Book; (iii) Capital Variations Registry Book and, in its case; (iv) Board's Minutes Registry Book.

Likewise, the General Law for Mercantile Entities provides that the mercantile entities shall issue, through its Board of Directors, the share or participation certificates to its shareholders or partners within one of year of the incorporation of the company or from the

date in which a variation to the capital of the company is approved.

Therefore, it is strongly recommended to make sure that every company complies with these requirements in order to have a solid position in the transactions in which it is involved and the corporate rights of its shareholders or partners are fully serviced.

**MINISTRY OF ECONOMY
GENERAL BUREAU OF FOREIGN INVESTMENT:
THE NATIONAL REGISTRY OF FOREIGN
INVESTMENTS**

NOTE: This only applies to entities with foreign capital.

In this regard, it is very important to verify that the company is up to date in connection to its obligations in terms of foreign investment, since if the entities capital stock has been furnished by a foreign person or entity, the Mexican government will consider such capital investment as foreign, and for such it is important to comply with the following:

- **Renewal of the Registration before the National Registry of Foreign Investment / Annual Economic Report**

Pursuant to the provisions of Article 38 paragraph three of the Rulings for the Foreign Investment Law, the Mexican company that is affected by foreign capital, must file an application for renewal of its correspondent registration, within the following seven months of the conclusion of its fiscal year, the aforesaid in accordance to the calendar set forth in connection to the entity's denomination initial

From "A" to "D" during the month of April
From "E" to "J" during the month of Mayo
From "K" to "P" during the month of June
From "Q" to "Z" during the month of July

* The initial letter of the entity's denomination must be considered for this calendar.

In addition, Mexican entities are obligated to issue the following notices in connection with their foreign investment:

- **Modification to the information previously provided:** within de 40 working days following to

the date on which the changes occur. (This notice applies provided that the entity changes its denomination, purpose, and denomination of the shareholders, granting and/or revoking of powers of attorney, modification of tax residence, changes in equity structure, and changes in the domicile of the legal representative or the plant or establishment).

- **Report regarding income and expenses that do not affect the capital stock:** the Mexican law establishes in this regard an obligation submit other economic reports on a quarterly basis regarding any contributions executed by the foreign counterpart (shareholder), or in the event that the Mexican company incurs in disbursements in favor of the foreign counterpart (shareholder), when such exceeds 3000 times the minimum wage in the Mexican "A" zone (approximately \$157,770.00 Mexican pesos); this quarterly report must be filed within 20 business days after to the conclusion of each quarter. (Each quarter is to be considerer as of: January - March, April - June, July - September, and October – December).

In this regard it is important to mention that the non-compliance of this provision will generate a series of penalties to be imposed based on the nature and graveness of the offence, the economic capacity of the offender, the time elapsed between the due date for compliance and its compliance or adjustment.

FORMAT OF INDUCTION

Note: Applicable for the State of Queretaro.

All industrial facilities must file a format, which establishes the mediate and immediate purposes of such industry, format that will be revised by the Secretariat of Sustainable Development of the State of Queretaro.

The purpose of this format is to grant the authority with sufficient elements to evaluate the origin, use and purpose of the water utilized by each industry, as well as the mechanisms of recycling and posterior usage and treatment.

It is important to mention that currently the municipal authorities for the state of Queretaro request the filing of the described format in order to issue or renew the municipal operating license.

In this regard it is important to mention that the non-compliance of this provision will generate a series of penalties to be imposed based on the nature and graveness of the offence.

**MUNICIPAL MINISTRY OF ECONOMY, FINANCE AND TREASURY:
OPERATING LICENSE**

Note: only applies for the City of Santiago de Queretaro.

With regard to this issue, the laws and municipal regulations are very strict in establishing a wide range of compliances to be pursued by entities with economic development and production activities; specifically regarding entities that have applied and obtained an Operating License, it's important to detach that such


license is only valid for an annual period, therefore such must be renewed on a yearly basis.

It should be noted that the laws and obligations imposed in this regard might be diverse in other municipalities of the State of Queretaro; however they are all very similar to those ruling the capital city.

In terms of all of the above, we kindly remain at your instructions in order to proceed with the corporate maintenance of the company you represent.

With nothing further for the moment, and thanking you in advance for your kind attention, I remain.

Sincerely,



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Contact our legal department it will be our pleasure to assist you.

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