

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT No.: 500-11-039418-104

SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE JUDICIAL  
REORGANIZATION PROCEEDINGS OF:**

**COMPANÍA MEXICANA DE AVIACIÓN, S.A. DE  
C.V.**, a legal person incorporated under the laws of  
Mexico, having its head office at av. Xola 535 Col.,  
Del Valle, Mexico D.F., Mexico 03100 and a place of  
business at 975 Romeo-Vachon Street North, Suite 413,  
Dorval, Quebec, H4Y 1H1

Debtor

– and –

**SAMSON BÉLAIR/DELOITTE & TOUCHE INC.**,  
having a place of business at 1 Place Ville Marie,  
Suite 3000, Montreal, Quebec, H3B 4T9

Information Officer

## SIXTEENTH INFORMATION OFFICER'S REPORT

### INTRODUCTION

1. On August 2, 2010, Compañía Mexicana de Aviación, S.A. de C.V. ("**Mexicana**" or the "**Company**") commenced proceedings under Mexico's *Ley de Concursos Mercantiles* ("**Mexican Proceedings**").
2. On August 2, 2010, Maru E. Johansen (the "**Foreign Representative**") sought certain protections in the United States pursuant to Chapter 15 of Title 11 of the United States Bankruptcy Code ("**Bankruptcy Code**"). On August 3, 2010, the U.S. Bankruptcy Court granted an interim recognition order recognizing the Foreign Representative and the Mexican Proceedings as a foreign main proceeding pursuant to Chapter 15 of the U.S. Bankruptcy Code ("**Chapter 15 Proceedings**").
3. On August 5, 2010, the Foreign Representative brought an application (the "**CCAA Proceedings**") before the Canadian Court pursuant to Part IV of the *Companies' Creditors Arrangement Act*, R.S.C. 195, c. C-36, as amended ("**CCAA**"), and obtained an order (the "**Canadian Recognition Order**"), which among other things: (i) recognized the Mexican Proceedings as a "foreign main proceedings"; (ii) recognized Maru E. Johansen as a foreign

representative as defined in section 45 of the amended CCAA; (iii) granted a stay of proceedings against the Company until November 10, 2010; (iv) appointed Samson Bélair/Deloitte & Touche Inc. ("**Deloitte**") as Information Officer; and (v) declared an administrative charge of \$250,000.

4. On November 5, 2010, in accordance with the Canadian Recognition Order of August 5, 2010, the Information Officer filed a First Report to the Court. A copy of the First Report was made available on the Information Officer's website.
5. On November 10, 2010, Mexicana obtained an interim first stay of period extension order (the "**Interim First Stay Extension Order**") until November 16, 2010. A copy of the Interim First Stay Extension Order was made available on the Information Officer's website.
6. On November 16, 2010, in accordance with the Canadian Recognition Order of August 5, 2010, the Information Officer filed a Second Report to the Court. A copy of the Second Report was made available on the Information Officer's website.
7. On November 16, 2010, Mexicana obtained a first stay of period extension order (the "**First Stay Extension Order**") until January 14, 2011. A copy of the First Stay Extension Order was made available on the Information Officer's website.
8. On January 13, 2011, Mexicana obtained a second stay of period extension order (the "**Second Extension Order**") until April 15, 2011. A copy of the Second Extension Order was made available on the Information Officer's website.
9. On April 14, 2011, Mexicana obtained a third stay of period extension order (the "**Third Extension Order**") until July 15, 2011. A copy of the Third Extension Order was made available on the Information Officer's website.
10. On July 8, 2011, Mexicana obtained a fourth stay of period extension order (the "**Fourth Extension Order**") until September 20, 2011. A copy of the Fourth Extension Order was made available on the Information Officer's website.
11. On July 27, 2011, the Mexican Court overseeing the Mexican Proceedings suspended, temporarily, the 90-day stay period. Consequently, a Sixth Report was filed and was made available on the Information Officer's website.
12. On September 20, 2011, Mexicana obtained a fifth stay of period extension order (the "**Fifth Extension Order**") until November 30, 2011. A copy of the Fifth Extension Order was made available on the Information Officer's website.
13. On November 28, 2011, Mexicana obtained a sixth stay of period extension order (the "**Sixth Extension Order**") until February 20, 2012. A copy of the Sixth Extension Order was made available on the Information Officer's website.
14. On February 15, 2012, Mexicana obtained a seventh stay of period extension order (the "**Seventh Extension Order**") until May 21, 2012. A copy of the Seventh Extension Order was made available on the Information Officer's website.

15. On May 17, 2012, Mexicana obtained an eighth stay of period extension order (the “**Eighth Extension Order**”) until August 22, 2012. A copy of the Eighth Extension Order was made available on the Information Officer’s website.
16. On August 23, 2012, Mexicana obtained a ninth stay of period extension order (the “**Ninth Extension Order**”) until November 23, 2012. A copy of the Ninth Extension Order was made available on the Information Officer’s website.
17. On November 20, 2012, Mexicana obtained a tenth stay of period extension order (the “**Tenth Extension Order**”) until November 20, 2013. A copy of the Tenth Extension Order was made available on the Information Officer’s website.
18. The Canadian Recognition Order requires that the Information Officer deliver a report to the Court at such times and intervals as it deems appropriate and, in any event, at least once every three months on the status of the proceedings, the foreign proceedings and such other information that the Information Officer deem to be material. This report is filed pursuant to the requirements of the Canadian Recognition Order and Mexicana’s request for a stay period extension until January 15, 2014.
19. This sixteenth report of the Information Officer (the “**Sixteenth Report**”) has been prepared in view of providing the Canadian Court with information on the status of the Mexican Proceedings. The purpose of this Sixteenth Report is to provide the Canadian Court and Mexicana’s stakeholders with an update on the Mexican Proceedings since the filing of the Information Officer’s Fifteenth Report. This Sixteenth Report is to be read in conjunction with the previous reports of the Information Officer available on the Information Officer’s website.

## **TERMS OF REFERENCE**

20. In preparing the Sixteenth Report, Deloitte has relied upon unaudited financial information, the Company’s books and records, financial information prepared by the Company and its advisors, discussions with management of Mexicana and its representatives and advisors. In addition, Deloitte has reviewed the publicly available information filed in the Mexican Proceedings and the CCAA Proceedings. Deloitte has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, Deloitte expresses no opinion or other form of assurance on the information contained in this report.
21. Some of the information referred to in this Sixteenth Report may consist of or include forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
22. Deloitte has requested that Mexicana bring to its attention any significant matters that were not addressed in the course of its specific inquiries. Accordingly, this Sixteenth Report is based solely on the information (financial or otherwise) made available to Deloitte. Some information provided by Mexicana had yet to be translated from Spanish at the date of the issuance of this report and some facts could be reported differently once an official translation is provided to Deloitte.

23. All references to dollars in this Sixteenth Report are in Canadian currency unless otherwise noted. Capitalized terms not defined in this Sixteenth Report are defined in the Initial Order, the Gonzales Affidavit or in the previous reports of the Information Officer available on the Information Officer's website.

## **UPDATE ON THE MEXICAN PROCEEDINGS**

24. As mentioned in the Thirteenth Report, given the unsuccessful negotiation with BF International to conclude a transaction, the Mexican Court decided to start a bidding process. Any interested investor was required by the Mexican Court to submit a proposal directly to the Mexican Court by no later than January 25, 2013.
25. The Mexican Court has not officially released any information on the progress of the bidding process. According to Mexicana's management, no potential investor has been able to put together a proposal that would be acceptable to the Mexican Court. Although Mexicana's management still has some hope that a potential investor could meet the Mexican Court's criteria, it is improbable at this point that a potential investor will be able to conclude a transaction.
26. According to Mexicana's management, the inability to secure a potential investor has prompted Mexicana's principal creditors to take steps towards an orderly liquidation of Nuevo Grupo Aeronàutico's assets. The Nuevo Grupo Aeronàutico's assets include the shares of Mexicana, the shares of MRO and other affiliated companies (the "**Mexicana Group**"). The principal creditors of the Mexicana Group are the Mexican government, Mexican financial institutions and banks. It is contemplated that the proceeds from the orderly liquidation of the Mexicana Group would be distributed in priority to the Mexicana Group's employees as they are ranking in priority to all other secured and unsecured creditors under the Mexican Proceedings.
27. Mexicana's management has also informed the Information Officer that the MRO has also sought protection from the Mexican Court under Mexico's *Ley de Concursio Mercatiles* (the "**Concurso Law**"), and that the assets of the MRO are now also part of a bidding process. According to Mexicana's management, the secured creditors of the Mexicana Group and its shareholders have agreed that the proceeds of the sale of the MRO's assets would be used in priority to pay the claims of the Mexicana Group's employees (the "**MRO Agreement**").
28. Pursuant to the MRO Agreement, Nuevo Grupo Aeronàutico, the majority shareholder of the members of the Mexicana Group, would now have to deliver the shares of the MRO to the Mexican Court so that it may assign them to a trust to be created, for the purpose mentioned above.
29. On October 8, 2013, the Mexican Court extended the delay to complete the MRO's restructuring pursuant to the Concurso Law for an additional 90 days in order to allow the MRO and its stakeholders to finalize and implement such agreement.
30. As mentioned in the Fourteenth Report, Mexicana filed a Creditor Agreement with the Mexican Court. The Mexican Court will not approve the said agreement until an agreement is reached with a potential investor. Given the current status of Mexicana's restructuring process and the fact that the only value that could be generated from the sale of the MRO operations would be for the benefit of the Mexicana Group's employees, it is now highly improbable that Mexicana will be able to implement its Creditor Agreement.

31. Mexicana was not able to confirm that it presently has the financial capabilities to pay the Post-filing debt and ongoing costs. Mexicana was not able to advise the Information Officer that the Company is processing payments to suppliers presently, providing post-filing goods and services.

## **ACTIVITIES OF THE INFORMATION OFFICER**

32. Since August 5, 2010, the Information Officer's activities have included:

- Reviewing the draft materials for the CCAA Proceedings and communicating with Mexicana's Canadian counsel, BLG, regarding same;
- Posting a copy of the Court-filed documents in these CCAA Proceedings to the Information Officer's website at <http://www.deloitte.com/ca/mexicana-airlines>;
- Various discussions and correspondence with BLG;
- Responding to inquiries of Mexicana's stakeholders;
- Preparing and mailing a notice to creditors entitled *Supplemental Disclosure Regarding the Credit Recognition Application Process*;
- Preparing and updating the service list and posting same to the Information Officer's website;
- Participating in conference calls with management of the Company, BLG and the Foreign Representative to discuss matters relevant to the Mexican Proceedings and CCAA Proceedings;
- Preparing the Information Officer's reports and communicating with BLG regarding the same; and
- Attendance at Court hearings.

## **CONCLUSION**

33. Since the Company was not able to provide the Information Officer with any financial information, the Information Officer is not in a position to conclude on the financial and liquidity situation of the Company.
34. The Company notified the Information Officer of its intention to request a further extension of the Stay Period until the earlier of i) January 15, 2014 ii) ten (10) days following the service by the Foreign Representative or the undersigned Information Officer to the members of the service list of a notice advising of the termination of the Mexican Proceedings by the Mexican Court.

The Information Officer respectfully submits to the Court, this, its Sixteenth Report.

DATED AT MONTREAL, this 13<sup>th</sup> day of November, 2013.

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.

In its capacity as Information Officer of Compañía Mexicana de Aviación, S.A. de C.V.

Per:



Pierre Laporte, CPA, CA, CIRP  
President



Jean-François Nadon, CPA, CA, CIRP  
Senior Vice-President